Legislative Budget Analysis 2013 Biennium

Volume 4—Agency Budgets

Health and Human Services (Section B)

January 2011

Legislative Fiscal Division

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Legislative Budget Analysis

2013 Biennium

Volume 4 – Agency Budgets

Presented to the Sixty-Second Legislature

Submitted by the

Legislative Fiscal Division

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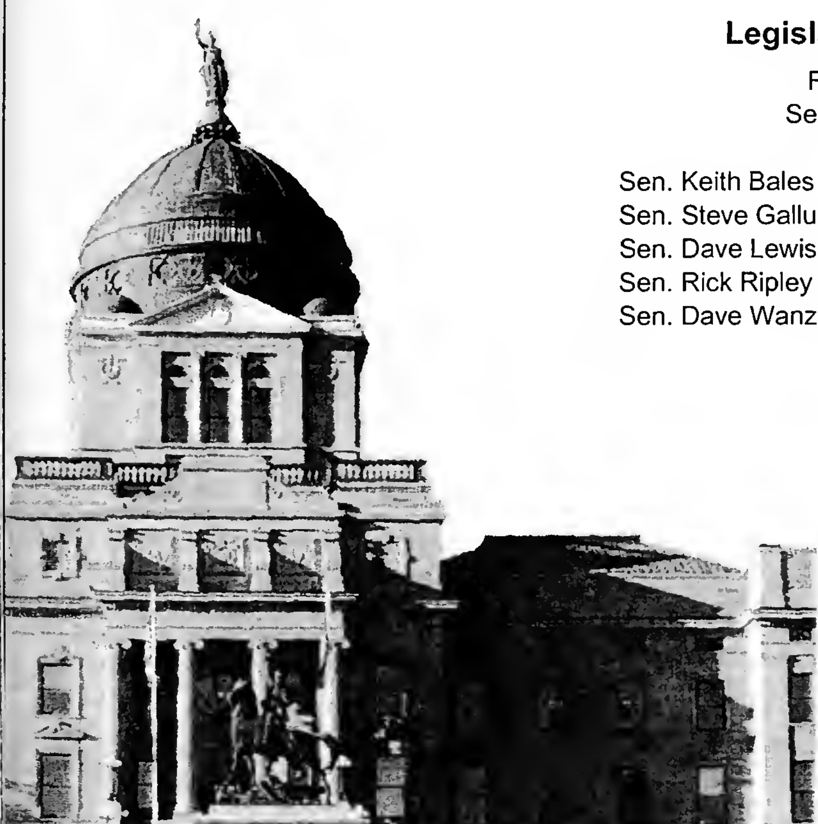

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Sen. Steve Gallus	Rep. Cynthia Hiner
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AGENCY SUBCOMMITTEE GROUPINGS

The following sections (A through F) provide a detailed explanation and analysis of the executive budget for each agency and agency program that contains appropriations in HB 2. The agencies are grouped by functional categories that mirror agency groups by appropriations subcommittee. The groups are summarized below. Programs funded with proprietary funds are not funded in HB 2, but an explanation and analysis of these programs are included in each agency narrative for the purpose of legislative rate-setting.

GENERAL GOVERNMENT (Section A)

- Legislative Branch
- Consumer Counsel
- Governor's Office
- Secretary of State
- Commissioner of Political Practices
- State Auditor
- Revenue
- Administration
- Commerce
- Labor and Industry
- Military Affairs

HEALTH AND HUMAN SERVICES (Section B)

- Public Health and Human Services

NATURAL RESOURCES AND TRANSPORTATION (Section C)

- Fish, Wildlife, and Parks
- Environmental Quality
- Transportation
- Livestock
- Natural Resources and Conservation
- Agriculture

JUDICIAL BRANCH, LAW ENFORCEMENT, AND JUSTICE (Section D)

- Judicial Branch
- Crime Control Division
- Justice
- Public Service Regulation
- Office of Public Defender
- Corrections

EDUCATION (Section E)

- Office of Public Instruction
- Board of Public Education
- School for the Deaf and Blind
- Montana Arts Council
- State Library Commission
- Montana Historical Society
- Commissioner of Higher Education
- Community Colleges
- University Units and Colleges of Technology
- Agricultural Experiment Station
- Montana Extension Service
- Forestry and Conservation Experiment Station
- Bureau of Mines & Geology
- Fire Services Training School

LONG-RANGE PLANNING (Section F)

- Long-Range Building Program
- State Building Energy Conservation
- Long-Range Information Technology Program
- Treasure State Endowment Program
- Treasure State Endowment Regional Water System
- Renewable Resource Grant & Loan Program
- Reclamation & Development Grant Program
- Cultural and Aesthetic Grant Program
- Quality School Facilities Program

Where can you find each section in the *Legislative Budget Analysis 2013 Biennium*, Volumes 3-7?

Volume 3 contains Section A
Volume 4 contains Section B
Volume 5 contains Section C
Volume 6 contains Section D
Volume 7 contains Sections E & F
Volume 8 is on the LFD website

AGENCY BUDGET ANALYSIS (ROAD MAP)

The purpose of the "Agency Budget Analysis" (LFD Volumes 3 through 7) is to provide a resource for legislators and members of the public to understand and allow for action on state agency budgets. It is designed to be a working document for use by the joint appropriations subcommittees. It does this by:

- Detailing components of the executive budget
- Raising budget and other issues for legislative consideration

This section provides a roadmap for using the Agency Budget Analysis volumes by discussing each component.

BUDGET TIERS

The section is constructed based on the statutory requirement that the budget be presented in three tiers:

1. Base budget;
2. Present law budget; and
3. New proposals.

(For a further explanation of these tiers and how they are derived, see page 1 of the "Reference" section, or the publication entitled "Understanding State Finances and the Budgeting Process", available through the Legislative Fiscal Division and on the Internet at http://leg.mt.gov/content/publications/fiscal/leg_reference/Understanding_State_Finances.pdf). The analysis is presented in a manner to allow the legislature to see and act on each present law adjustment and new proposal made to the base budget to derive the executive budget, by summarizing and raising issues with those adjustments.

LEGISLATIVE FISCAL DIVISION (LFD) ISSUES AND COMMENTS

While LFD staff has written the entire analysis document, parts are meant strictly to explain what is in the executive budget in a way that does not justify or advocate the executive position.

The heart of the analysis is in two areas:

1. The LFD issues and comments provided on the proposed budget. If the LFD analyst has raised an issue with anything contained in the executive budget or with any other aspect of agency operations and expenditures, it is included as an "LFD Issue". The analyst may also provide additional information to aid the legislature in its decision making under the heading "LFD Comment". All issues and comments are clearly identified in the narrative; and
2. Other issues and options. In order to provide the legislature with alternatives to the executive budget, as well as budget-making flexibility, LFD staff has provided other issues and options for consideration by the legislature.

COMPONENTS OF THE AGENCY BUDGET ANALYSIS

For all multiple program agencies, the narrative is divided into two parts:

1. The agency narrative; and
2. The program narrative.

Agency Narrative

The agency narrative provides an overview of the executive budget and other issues and options for that agency. Since the legislature appropriates at the program level, only issues raised in the analysis with an agency-wide or multiple-program impact are discussed at this level. All other discussion occurs within the relevant program narratives.

Each agency narrative has the following components.

1. The **Main Table** shows the adjusted actual expenditures and appropriations of the current biennium and the executive request for the upcoming biennium by year. The reader can use this table to get a general idea of the size and funding of the agency, and compare the upcoming biennium totals to the current biennium.
2. The agency organizational chart follows, with contact information, and funding and FTE information for each unit of the agency in the chart. If the agency spends statutory or proprietary funds, they are listed separately
3. Two tables compare sources and funding and types of expenditures as proposed by the executive for the upcoming biennium to the current biennium.
4. **Agency Description** is a brief description of the agency, along with its mission statement.
5. **Agency Highlights** is a table showing the principal factors influencing the budget and any related discussion. It is designed to aid the reader in gaining an understanding of the overall agency budget or significant budget areas.
6. **Agency Discussion** provides additional information or overarching discussion. In addition, if the previous legislature funded any new initiatives of an agency-wide nature, a brief update is provided. For each agency, a recap of any agency-wide goals and objectives monitored by the Legislative Finance Committee during the interim, are listed and discussed as appropriate, as are any goals the LFC recommends the legislature review during the legislative session.
7. **5% Reduction Plan** provides a table and discussion on the statutorily required plan by agencies to reduce base expenditures by 5%. The LFC recommends that the starting point be the adjusted base minus this plan.
8. **Personal Services** provides the legislature with pertinent data on personal services that would allow the legislature to identify and address those factors impacting personal services expenditures and related policy issues. Factors addressed in this section include market salaries and obstacles to achievement of market goals. The program sections address other, program specific questions.
9. **Funding** is a table and related discussion that shows the total biennium funding, by program and fund type, proposed by the Governor.
10. **Statutory Appropriations** is a table showing any statutory appropriations received by the agency, in order to provide a more complete picture of total appropriations.
11. **Budget Summary by Category** summarizes the executive budget by base budget, statewide present law adjustment, other present law adjustments, and new proposals proposed by the Governor for each year of the biennium.
12. If included by the executive, a discussion of the following two types of proposals is included, each with LFD comments as appropriate:
    - **Supplemental Appropriations** discusses supplemental appropriations recommended by the Governor for current fiscal year, or supplemental appropriations approved in the last fiscal year.
    - **Reorganizations** details any major reorganization that took place in the current biennium or is proposed by the executive for the upcoming biennium
13. **Language** includes any agency-wide language proposed by the executive.
14. **Executive Recommended Legislation** is a listing and discussion of any legislation with a likely fiscal impact proposed by the executive and pertinent to the agency. This section is designed to

alert the legislature to other legislation not included in HB 2 that could have a bearing on the agency budget and operation.

15. **Agency Issues** is a discussion by the LFD analyst of any identified agency-wide or multi-program issues. Otherwise, all discussions of adjustments and attendant issues are included in the relevant program narratives.
16. **Elected Officials New Proposals** lists new proposals advocated by agencies headed by either an elected official or the Board of Regents but not included in the executive budget.

Note: The main and budget summary tables, the agency description, mission, and the highlights and funding tables are included in each agency narrative. However, the other components are "optional", indicating they are included only if circumstances warrant.

Program Narrative

Narratives detailing each agency program follow the agency narrative. The program narrative contains the following components.

1. The **Main Table** contains the same information as the agency main table for each program of the department, including adjusted actual expenditures and appropriations of the current biennium and the executive request for the upcoming biennium, by year.
2. **Program Description** is a short description of the program and its functions.
3. **Program Highlights** is a table showing the principal factors influencing the budget and any related discussion.
4. **Program Narrative** details any points of overall program discussion by the LFD analyst. If the previous legislature funded any new initiatives, a brief update is provided.
5. **5% Reduction Plan** provides a program level discussion of any elements of the agency submitted 5% reduction plan that pertain to the program.
6. **Funding** details program funding as proposed by the executive, and any issues raised by the LFD analyst.
7. **Program Reorganization** details any program reorganizations that took place in the current biennium or that are proposed by the executive for the upcoming biennium.
8. **Budget Summary by Category** summarizes the executive budget by base budget, statewide present law adjustment, other present law adjustments, and new proposals proposed by the Governor for each year of the biennium.
9. The **Executive Present Law Adjustments Table** delineates the major present law adjustments included by the executive, by fiscal year and funding source. The table is divided into two sections:
   - Statewide present law adjustments, which include most personal services adjustments, the executive's vacancy savings recommendation, and adjustments due to fixed costs and inflation
   - Other present law adjustments proposed by the executive
10. **Executive Present Law Adjustments** discusses each adjustment proposed by the executive in more detail. The section begins with a discussion that addresses personal services expenditures and policy issues specific to the program, including market rate, vacancies, how the legislatively applied vacancy savings was met, pay changes made outside of any legislative pay changes, and the number of employees eligible for full retirement and the related unfunded liability. This discussion is followed by a description of each adjustment proposed by the Governor. The LFD analyst writes the adjustment descriptions based upon justifications submitted by the executive. It should be noted that it is the responsibility of the LFD analyst to explain a requested change, but not to advocate for or attempt to justify that request. If the LFD analyst has raised an issue with the adjustment, it is presented when the adjustment is discussed.
11. The **New Proposals Table** shows each new proposal requested by the executive, by fiscal year and funding source.

12. **New Proposals** discusses each new proposal in more detail. If the LFD analyst has raised an issue with the proposal it is presented with that new proposal. As with present law adjustments, the LFD has written these explanations based upon submissions by the executive. For certain new proposals (and significant present law adjustments), a discussion submitted by the agency (with editing for clarity and brevity by LFD staff) is included that discusses goals, performance criteria, milestones and timetables, and other information designed to provide the legislature with information with which to evaluate the proposal. LFD staff provides any comments or issues with the submission.
13. **Language** recreates any program specific language proposed by the executive, with LFD comments as appropriate.
14. **Executive Recommended Legislation** is a listing and discussion of any legislation with a likely fiscal impact proposed by the executive and pertinent to the program.
15. **Other Issues** contains any issues identified by the LFD analyst unrelated to a specific present law adjustment or new proposal.

The legislature does not appropriate enterprise funds (which fund operations that provide goods or services to the public on a user charge basis) or internal services funds (which fund operations that provide goods and services to other entities of state government on a cost-reimbursement basis). However, the executive must review enterprise funds and the legislature approves all internal service rates. If the program includes a function supported by either an enterprise fund or an internal service fund, a separate section within the relevant program provides the following:

1. A **Fund Balance Table** shows actual and projected rates, revenues, expenditures, and fund balance through the upcoming biennium; and
2. **Narrative** contains a discussion of the function, a description and explanation of the rate requested, and a discussion of any significant present law adjustments or new proposals impacting the requested rate. The LFD analyst addresses any issues and comments as appropriate.

STATEWIDE PRESENT LAW ADJUSTMENTS

"Statewide Present Law Adjustments" are those adjustments applied to each agency based upon either: 1) factors beyond the individual agency control; or 2) other underlying factors. Because of the global application of these factors and the need for consistency among agencies, these adjustments are included in the "statewide" section of the present law table to alert subcommittees and other decision makers that, if adjustments are made to these costs, adjustments should be made to the underlying factors upon which the adjustments are based. The Legislative Finance Committee (LFC) will make a recommendation on these and other adjustments to appropriations leadership.

Personal Services

Personal services costs are derived by taking a "snapshot" of state employee positions and the factors determining compensation rates at a particular point in time. A number of underlying factors will make the upcoming biennium personal services costs different from actual base year costs. The most important are:

Current Biennium Pay Plan and Other Benefits

If the legislature passed a pay plan that is implemented over the biennium, the base year will not reflect all of the costs that must be paid by the agencies when the pay plan is fully implemented. For example, if the legislature provides a percentage increase midway through the first year and another midway through the second year, base year costs will only reflect ½ of the costs of the first increase.

In addition, any changes made to benefits that an agency must pay directly to or in support of an employee, such as pension, or unemployment and workers' compensation insurance, are automatically reflected in the present law personal services.

Vacancy Savings

Vacancy savings is a reduction in personal services costs that results when positions are not filled for the entire year. Vacancy savings will fluctuate within agencies and programs from year to year. In order to provide the legislature with the opportunity to make all policy decisions regarding vacancy savings, each position is funded as if the position were filled for the entire year, regardless of any vacancy savings that may have occurred in the base year.

Termination Pay

Costs incurred by agencies due to termination of employment, such as accrued sick or annual leave, are not included in present law.

Other Adjustments to Pay

All other changes to salaries authorized during the biennium through the "snapshot" date (July of the base year) are included in present law.

Any adjustments to personal services from sources within the control of the executive, such as overtime, new or deleted positions, or proposed transfers, should not be included in the statewide adjustments. If the LFD analyst has identified any of the adjustments in the statewide adjustment line, they are discussed as an LFD issue or comment.

Vacancy Savings

Any vacancy savings proposed by the executive is included, which results in a reduction of personal services costs. If the executive proposes a vacancy savings rate different from the previous rate, it should be included in a decision package.

Inflation/Deflation

The executive budget has inflated or deflated certain operating expenses. Each agency budget is automatically adjusted to add inflation to or subtract deflation from the relevant expenditure items. Therefore, changes to inflation/deflation amounts in the agencies can only be made through an adjustment to the actual expenditure against which the inflation/deflation is applied, rather than to the inflation/deflation factor, itself.

Note: A complete listing of expenditure categories inflated or deflated in the executive budget has been included in the "Reference" section.

Fixed Costs

Fixed costs are costs charged to agencies to fund the operations of certain centralized service functions of state government (such as information technology, messenger services, and legislative audit). Costs charged to the individual agency budgets are based upon the cost in the service agency and the method used to allocate those costs. These fixed costs are automatically added to each agency budget, as appropriate. Any changes to these allocations must be made through a change to the service agency budget, or to the allocation method used by the service agency. The General Government and Transportation Subcommittee will review the fixed costs proposals.

Note: A complete listing of all fixed costs is included in the "Reference" section

HEALTH
AND
HUMAN SERVICES

Section B

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

---------------------Agencies--------------------

Public Health & Human Services

----------------Committee Members-----------------

House

Representative Don Roberts (Chair)
Representative John Esp
Representative Tom Burnett
Representative Trudi Schmidt
Representative Tony Belcourt

Senate

Senator Dave Lewis
Senator Jason Priest
Senator Mary Caferro

--------------Fiscal Division Staff---------------

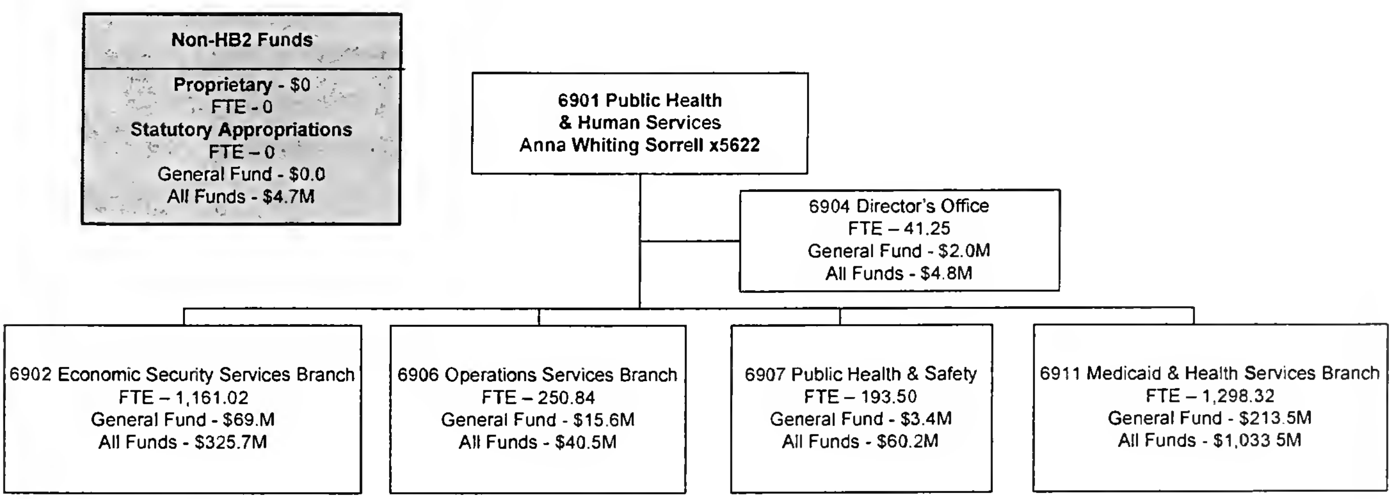
Lois Steinbeck
Marilyn Daumiller
Kris Wilkinson

Agency Budget Comparison

The following table summarizes the total executive budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	2944.93	2944.93	2942.68	2938.39	2944.93	2938.39	(6.54)	-0.22%
Personal Services	153,766,363	162,901,514	161,097,304	160,825,182	316,667,877	321,922,486	5,254,609	1.66%
Operating Expenses	98,996,562	103,741,189	107,479,735	109,073,137	202,737,751	216,552,872	13,815,121	6.81%
Equipment & Intangible Assets	663,318	1,293,488	670,318	670,318	1,956,806	1,340,636	(616,170)	-31.49%
Grants	63,535,583	68,164,823	67,938,868	66,944,569	131,700,406	134,883,437	3,183,031	2.42%
Benefits & Claims	1,147,297,504	1,216,679,067	1,479,291,275	1,565,309,991	2,363,976,571	3,044,601,266	680,624,695	28.79%
Debt Service	351,901	516,969	351,901	351,901	868,870	703,802	(165,068)	-19.00%
Total Costs	**$1,464,611,231**	**$1,553,297,050**	**$1,816,829,401**	**$1,903,175,098**	**$3,017,908,281**	**$3,720,004,499**	**$702,096,218**	**23.26%**
General Fund	303,495,348	369,077,195	423,795,769	417,213,383	672,572,543	841,009,152	168,436,609	25.04%
State Special	118,771,216	126,929,068	141,450,698	161,480,125	245,700,284	302,930,823	57,230,539	23.29%
Federal Special	1,042,344,667	1,057,290,787	1,251,582,934	1,324,481,590	2,099,635,454	2,576,064,524	476,429,070	22.69%
Total Funds	**$1,464,611,231**	**$1,553,297,050**	**$1,816,829,401**	**1,903,175,098**	**$3,017,908,281**	**$3,720,004,499**	**$702,096,218**	**23.26%**

The following is the agency organizational chart, with contact information. The chart has been modified by the LFD to include the FY 2010 base budget FTE, general fund, and total funds for each program. As applicable, total agency proprietary funds and statutory appropriations, along with associated FTE, are also shown.



Agency Description

Mission statement: Improving and protecting the health, well-being and self-reliance of all Montanans

The Department of Public Health and Human Services (DPHHS) administers a wide spectrum of programs and projects, including: public assistance, Medicaid, foster care and adoption, nursing home licensing, long-term care, aging services, alcohol and drug abuse programs, mental health services, vocational rehabilitation, disability services, child support enforcement activities, and public health functions (such as communicable disease control and preservation of public health through chronic disease prevention).

As shown on the organization chart, the department has four branches and the Director's Office. The branches and the related divisions are:

- Economic Security Services Branch consisting of the Management and Disability Transition Program, Human and Community Services Division, Child and Family Services Division, and the Child Support Enforcement Division
- Operations Services Branch consisting of the Business and Financial Services Division, Quality Assurance Division, Technology Services Division, and the Management and Fair Hearings Program
- Public Health and Safety Branch
- Medicaid and Health Services Branch consisting of the Disability Services Division, Health Resources Division, Medicaid and Health Services Program, Senior and Long-term Care Division, and the Addictive and Mental Disorders Division

The department is also responsible for all state facilities except correctional institutions. DPHHS facilities include: Montana State Hospital, Warm Springs; Montana Mental Health Nursing Care Center, Lewistown; Montana Chemical Dependency Center, Butte; Eastern Montana Veterans' Home, Glendive; Montana Veterans' Home, Columbia Falls; and Montana Developmental Center, Boulder.

Agency Budget Highlights and Legislative Action Items

Department of Public Health and Human Services
Major Budget Highlights

- The DPHHS 2013 biennium budget request is $702.1 million ($168.4 million general fund) higher than the 2011 biennium.
- Funding for benefits (direct services to eligible persons) adds $680.6 million total funds over the biennium, primarily due:
  - Medicaid service utilization and eligibility increases - $276.4 million total funds and $152.3 million general fund
  - Supplemental Nutrition Assistance Program (SNAP) - $250.0 million
  - Healthy Montana Kids (HMK) program increased enrollment and service utilization - $92.2 million
  - Low Income Energy Assistance Programs (LIEAP) and weatherization - $25.0 million
  - A Medicaid expansion to shift 800 individuals from the state funded Mental Health Services Plan (MHSP) to Medicaid services, which has been discussed with the 2007 and 2009 legislatures - $17.0 million
  - Temporary Assistance for Needy Families (TANF) benefits, economic security and employment programs - $15.0 million
  - Developmentally disabled individuals moving from state funded services to Medicaid services - $4.0 million
- Part of the increases in Medicaid and SNAP services continue one-time funding from the 2011 biennium due to the federal stimulus legislation
- Operating costs increase primarily due to contract adjustments supporting:
  - Agency-wide information technology (IT) systems supporting accounting, management and reporting functions of Medicaid and public assistance programs
  - Training and program support for public assistance programs across the state as well as provision of veterans services at the Eastern Montana Veterans' Home
  - A contingency request of $1.6 million state special revenue by the Montana Telecommunications Program should the federal government mandate that states pay for new technologies in telecommunication programs

- Increased funding for FTE is primarily due to statewide and present law adjustments and the net of new proposals for total reductions in funding equivalent to 5.79 full time positions and offsetting increases of:
  - 20.00 FTE to administer HMK (an additional 8.00 above the 12.00 temporary FTE funded by the 2009 Legislature)
  - 5.00 FTE to implement expanded Medicaid family planning services

Legislative Action Issues

- Establishing Medicaid appropriations for the 2013 biennium has an inherent degree of risk because:
  - Medicaid services costs are a significant state expenditure (22% of total HB 2 appropriations) and small differences between actual expenditures and the projection can have major fiscal impacts
  - Executive budget cost trends used to project 2013 biennium costs are below national cost trends projected for Medicaid services
  - Small changes (1%) in the overall cost trend cause a $6.1 million change in state match required over the biennium based on the executive budget request
  - Small changes (1%) in the federal Medicaid match rate cause a $9.0 million change in the state match required for Medicaid services in FY 2013
- State special revenue dedicated to funding increased enrollment costs in HMK is $11.8 million too low to cover projected enrollment increases in the 2013 biennium
  - A portion of the state match for increased enrollment in HMK Medicaid services is paid from the general fund
- Several state special revenue accounts are over budgeted including:
  - Tobacco settlement funds by $8.2 million
  - Tobacco trust interest account by $1.0 million
- 5% reduction plan does not reduce general fund to the targeted amount
- The required DPHHS structural balance plan did not provide $6.4 million in reductions in the FY 2010 base

Agency Discussion

Goals and Objectives

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriation policy. As part of its appropriation deliberations the legislature may wish to review the following:

- Goals, objectives and year-to-date outcomes from the 2011 biennium
- Critical agency goals, objectives, and anticipated outcomes and their correlation to the executive's budget request for the 2013 biennium

<u>2011 Biennium Goals</u>

The following provides an update of the goals and related performance measurements monitored by the Legislative Finance Committee (LFC) during the 2011 biennium. The LFC assigned two workgroup members to meet with the DPHHS to discuss successes and challenges in relation to a number of performance measurements. The reviewed goals and measurements were selected in two ways:

- Continued from the 2009 interim as the LFC workgroup determined the goals merited further review during the 2011 interim
- Selected from recommendations made by the 2009 Legislature

The LFC performance measurement workgroup began by selecting 33 goals and related performance measurements. Of this total, the LFC workgroup determined:

- 17 required no further reports
- 16 should be reviewed further and be discussed as part of the budget deliberations of the Health and Human Services Joint Appropriation Subcommittee

The various goals and measurements are discussed further in the related program narratives.

2013 Biennium Goals

During the interim the LFC workgroup met with the agency to select critical goals and performance measurements for the legislature to consider during the appropriation process. Through discussion with the agency the workgroup identified the following critical goals:

- Implementation of broad based budget reductions and the effect on DPHHS operations; workgroup members discussed the 4% reduction in FTE and personal service costs in relation to this goal
- Implementation of Healthy Montana Kids
- Evaluation of the impacts of the economy and recession on workload and programs
- Implementation of components of federal health insurance reform including:
    - Integrate Medicaid eligibility determination in the health insurance exchange design
    - Evaluate the potential for a single system to determine Medicaid eligibility
    - Outline components and cost of Medicaid eligibility expansion for consideration by the 2013 Legislature

The LFC recommends that the legislature use the selected critical goals as a tool to focus the appropriation discussions with DPHHS. As part of the legislative discussion with the agency, the correlation between the critical goals and the executive budget will need to be determined. To be effective and efficient, the legislature may wish to request that the agency be prepared to discuss anticipated outcomes for the 2013 biennium critical goals and the methodology and specific measurements the agency will use to report to the 2013 Legislature on the successes or challenges that arise during the biennium prior to approval of the starting point for the agency's budget as many of the goals address funding that is included in the agency's base budget.

Personal Services

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

Labor Market Experience - Applicant pools for agency positions have increased significantly in this biennium. In FY 2009 the agency processed 4,827 applications for 434 jobs (avg. 11 per job); and in FY 2010 the agency processed 10,297 applications for 276 jobs (37 avg. per job) Low-level/low skill jobs have seen the greatest increase in applicant pools (many exceeding 100 applicants) . High-level and specialized positions typically have smaller applicant pools with fewer qualified applicants. Turnover rate in FY 2009 was 15% and decreased to 13% in FY 2010. In FY 2009, 30% of posted agency positions were re-advertised at least once compared to 13% in FY 2010. Up to 10% of the agency job offers were rejected by the top candidates in the applicant pools. Reasons given include the salary offered, current employers matched or exceeded salaries to retain talent, real estate conditions, and personal reasons (medical, taking care of aging parents). Since January 2010, the agency has stopped purchasing print advertising and relies almost entirely on free or low-cost electronic posting of positions. Recruiting staff has substantially restricted travel and marketing of agency positions. Efforts are focused almost exclusively on web-based and electronic media.

- **Pay Philosophy** – The agency pay philosophy for the 2013 biennium is to continue to attract and hire well qualified applicants for agency positions while maintaining pay equity with current employees and strictly complying with the agency's 30 collective bargaining agreements. New hire placement into salary ranges will be tied to the mid-point of the 2006 market analyses for each job code and classification. Succession planning is ongoing but has not been tied to pay due to lack of funding. Career tracks, pay ladders, and other incentive pay components have not been widely developed in the agency. Two divisions in the agency have developed a career

track or related system, which are largely unrelated to pay increases at this time. Further development of these programs has been postponed due to the economic downturn.

- **Obstacles** – Obstacles include increased workloads with corresponding growth in the number of employee complaints and stress-related problems such as health issues and absenteeism. Required vacancy savings and difficulty filling some positions has resulted in fewer staff available to respond to significantly increased demands for agency services.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

Figure 1

Department of Public Health and Human Services
Total 5% Reduction Plan Identified
Included and not included in Executive Budget 2013 Biennium by Program

	FTE	General Fund	% Of Division Total	State Special Revenue	% Of Division Total	Total Funds	% Of Division Total
Included in Executive Budget							
Economic Security Branch							
Prgm 1 - Management and Transition Program	0.00	($218,344)	1.48%	$0	0.00%	($218,344)	1.48%
Prgm 2 - Human and Community Services Division	0.00	(2,363,310)	16.03%	0	0.00%	($2,363,310)	16.03%
Prgm 3 - Child and Family Services Division	(10.80)	(644,878)	4.37%	0	0.00%	($644,878)	4.37%
Prgm 5 - Child Support Enforcement Division	(2.50)	(98,128)	0.67%	0	0.00%	($98,128)	0.67%
Subtotal Economic Security Branch	(13.30)	($3,324,660)	22.55%	$0	0.00%	($3,324,660)	22.55%
Prgm 4 - Director's Office	(1.00)	($142,310)	0.97%	$0	0.00%	($142,310)	0.97%
Operations Services Branch							
Prgm 6 - Business and Financial Services Division	0.00	($50,062)	0.34%	$0	0.00%	($50,062)	0.34%
Prgm 8 - Quality Assurance Division	0.00	(270,438)	1.83%	0	0.00%	($270,438)	1.83%
Prgm 9 - Technology Service Division	0.00	(251,626)	1.71%	0	0.00%	($251,626)	1.71%
Prgm 16 - Management and Fair Hearings Program	0.00	(2,532)	0.02%	0	0.00%	($2,532)	0.02%
Subtotal Operations Services Branch	0.00	($574,658)	3.90%	$0	0.00%	($574,658)	3.90%
Prgm 7 - Public Health and Safety Division	(1.00)	($225,576)	1.53%	$0	0.00%	($225,576)	1.53%
Medicaid and Health Services Branch							
Prgm 10 - Disability Services Division*	(13.00)	($4,520,570)	30.67%	$0	0.00%	($4,520,570)	30.67%
Prgm 11 - Health and Resources Division	0.00	(2,687,278)	18.23%	0	0.00%	($2,687,278)	18.23%
Prgm 12 - Medicaid and Health Services Management Program	0.00	0	0.00%	0	0.00%	$0	0.00%
Prgm 22 - Senior and Long-term Care Division	(1.00)	(882,164)	5.98%	0	0.00%	($882,164)	5.98%
Prgm 33 - Addictive and Mental Disorders Division	(8.49)	(2,383,286)	16.17%	0	0.00%	($2,383,286)	16.17%
Subtotal Medicaid and Health Services Branch	(22.49)	($10,473,298)	71.05%	$0	0.00%	($10,473,298)	71.05%
Subtotal Included in Executive Budget	(37.79)	($14,740,502)	100.00%	$0	0.00%	($14,740,502)	100.00%
Not Included in Executive Budget							
Economic Security Branch							
Prgm 1 - Management and Transition Program	0.00	($36,290)	0.23%	$0	0.00%	($36,290)	0.15%
Prgm 2 - Human and Community Services Division	0.00	(715,692)	4.63%	0	0.00%	($715,692)	3.02%
Prgm 3 - Child and Family Services Division	0.00	(1,945,568)	12.57%	0	0.00%	($1,945,568)	8.21%
Prgm 5 - Child Support Enforcement Division	0.00	0	0.00%	0	0.00%	$0	0.00%
Subtotal Economic Security Branch	0.00	($2,697,550)	17.44%	$0	0.00%	($2,697,550)	11.38%
Prgm 4 - Director's Office	0.00	$0	0.00%	$0	0.00%	$0	0.00%
Operations Services Branch							
Prgm 6 - Business and Financial Services Division	0.00	($66,214)	0.43%	$0	0.00%	($66,214)	0.28%
Prgm 8 - Quality Assurance Division	0.00	0	0.00%	0	0.00%	$0	0.00%
Prgm 9 - Technology Service Division	0.00	(697,378)	4.51%	0	0.00%	($697,378)	2.94%
Prgm 16 - Management and Fair Hearings Program	0.00	(6,440)	0.04%	0	0.00%	($6,440)	0.03%
Subtotal Operations Services Branch	0.00	($770,032)	4.98%	$0	0.00%	($770,032)	3.25%
Prgm 7 - Public Health and Safety Division	0.00	($122,156)	0.79%	$0	0.00%	($122,156)	0.52%
Medicaid and Health Services Branch							
Prgm 10 - Disability Services Division	0.00	$0	0.00%	$0	0.00%	$0	0.00%
Prgm 11 - Health and Resources Division	0.00	(5,649,766)	36.52%	(8,006,446)	97.29%	($13,656,212)	57.62%
Prgm 12 - Medicaid and Health Services Management Program	0.00	(60,000)	0.39%	0	0.00%	($60,000)	0.25%
Prgm 22 - Senior and Long-term Care Division	0.00	(3,501,042)	22.63%	0	0.00%	($3,501,042)	14.77%
Prgm 33 - Addictive and Mental Disorders Division	0.00	(2,671,284)	17.27%	(223,216)	2.71%	($2,894,500)	12.21%
Subtotal Medicaid and Health Services Branch	0.00	($11,882,092)	76.80%	($8,229,662)	100.00%	($20,111,754)	84.85%
Subtotal Included in Executive Budget	0.00	($15,471,830)	100.00%	($8,229,662)	100.00%	($23,701,492)	100.00%
DPHHS Total	(37.79)	($30,212,332)		($8,229,662)		($38,441,994)	
Biennial Total Needed Under 17-7-111(3)(f)		(30,344,410)		(8,229,622)			
Additional General Fund Required to be Eliminated		($132,078)					

* DSD eliminates 8.71 FTE in FY 2012 and 13.00 FTE in FY 2013.

The LFD has identified two issues with the DPPHS 5% reduction plan. The plan does not:

1. Reduce general fund to the level required by statute
2. Identify additional state or federal revenue reductions resulting from the proposals that are not included in the executive budget

As shown in Figure 1, the biennial general fund reduction plan required under the statute is $30,344,410. The total reduction submitted by DPPHS is $30,212,335 or $132,078 less general fund than required.

LFD ISSUE

5% Reduction Plan Does Not Reduce General Fund to Targeted Amount

17-7-111(3)(f), MCA requires state agencies to provide a plan to reduce the proposed base budget to 95% of the current base budget. Each agency plan must include base budget reductions that reflect the required percentage reduction by fund type for the general fund and state special revenue. The Office of Budget and Program Planning (OBPP) calculated that the minimum requirement for the annual general fund reduction for DPHHS. As shown, the reductions are $132,078 less than required by statute.

Included in the agency proposal are reductions in the Disability Services Division:

- $78,526 in personal services costs and elimination of 8.71 FTE in FY 2012
- $210,600 in personal services costs and elimination of 13.00 FTE in FY 2013

Due to the difference in the FTE reductions between fiscal years, $132,078 less general fund is reduced in the agency base in FY 2012 than in FY 2013.

In addition, the proposal to reconfigure the Montana Developmental Center (MDC) results in a reduction in revenues to the general fund for federal Medicaid reimbursements of $0.4 million over the biennium. Many of the residents at MDC are eligible for Medicaid. MDC is funded from the general fund and Medicaid reimbursements generated from eligible residents are deposited into the general fund to offset the costs of their care. The executive is proposing to move 12 residents out of MDC, eliminate staff, and provide services to residents in community based settings. The reduction in general fund revenues from Medicaid reimbursements decreases the general fund savings proposed in the 5% reduction plan to $31,753 in FY 2012. The budget proposal estimates that residents will transition in FY 2012 and be in community services for the entire year in FY 2013. By FY 2013, the Medicaid reimbursements are reduced by $348,277. The effect of the proposal increases general fund costs in FY 2013 by $137,677.

Option: The legislature may wish to:

- Request that DPHHS propose reductions for FY 2012 to reduce the base budget by an additional $178,848 and by $137,677 in FY 2013
- Remove $178,848 and $137,677 from the FY 2012 and FY 2013 base budgets and allow the department to allocate the reductions

In addition, the executive does not identify other fund reductions resulting from proposed reductions to general fund.

LFD ISSUE

5% Reduction Plan Does Not Identify Other Fund Reductions or Budgetary Risks

As shown, several of the proposals listed in the 5% reduction plan are not included as part of the executive budget. For the proposals that are not part of the executive budget, a number of changes to state special revenue and federal funds would also result if the plan is adopted. These changes are not included as part of the plan submission. The 5% reduction plan includes narrative information that provides total fund reductions associated with the plan. The plan does not differentiate between state special revenue or federal funding sources for the additional reductions.

LFD ISSUE CONT.

Without information on corresponding reductions in other funds associated the base funding reductions, the legislature cannot:

- Gauge the impact of the proposed general fund reductions
- Assess the risks that may be associated with the reductions

17-7-111 (f)(i,ii,iii) requires the agency to submit:

- A prioritized list of services that would be eliminated or reduced
- For each service included in the prioritized list, the savings that would result from the elimination or reduction
- The consequences or impacts of the proposed elimination or reduction in each service

The information required in the statute should assist in legislative discussion with the agency on the impacts of the recommended reductions and allow the legislature to assess the risks associated with the budgetary decisions included in the Governor's proposed plan for DPHHS.

Option: The Health and Human Services Joint Appropriation Subcommittee may wish to require that the agency submit documentation on:

- Total funding reductions, by fund type, for those items in the 5% reduction plan that are not included in the Governor's budget prior to adopting the starting point for legislative deliberations on the DPPHS budget
- Total impacts of the proposed reductions, both those included in and those excluded from the executive budget

Agency Budget Discussion

The 2013 biennium DPHHS budget request grows $702.1 million compared to the 2011 biennium. The majority of the growth - $680.6 million - is in the benefits and claims category, which funds services for individuals meeting specific program eligibility criteria. The majority of increase in benefits and claims is related to:

- Medicaid cost increases to account for growth in service utilization and eligibility for services
- Healthy Montana Kids enrollment increases and service utilization growth
- Federal approval of a Medicaid expansion to transition up to 800 individuals served in the state Mental Health Services Plan (MHSP) to Medicaid services, including a limited physical health services package
- Reinstatement of one-time funding for Medicaid services for:
    - Adult transplants
    - Autism group home
    - Federal eligibility changes related to Indians
- Federally funded benefits for:
    - $250.0 million for Supplemental Nutrition Assistance Program (SNAP)
    - $25.0 million for Low Income Energy Assistance Program (LIEAP) and weatherization
    - $15.0 million for Temporary Assistance for Needy Families (TANF) benefits, economic security, and employment programs
    - $4 million for transitioning developmentally disabled clients to Medicaid services

Operating costs grow $13.8 million primarily due to funding increases for:

- Cost of living adjustments for contracts supporting major computer systems for Medicaid claims payment, eligibility determination for (TANF) cash assistance, and (SNAP) as well as systems that support LIEAP, weatherization, and Medicaid
- Medical, prescription services, and food costs for state institutions
- Contracted services to provide training and program support for public assistance programs across the state
- Contracted services to provide veterans' services at the Eastern Montana Veterans' Home

Operating cost increases are partially offset by reductions in postage, printing, travel and meeting expenses, and some IT system contracts.
Personal services costs are $5.3 million higher in the 2013 biennium despite a net reduction of funding for 5.79 FTE. Personal services increase due to:

- Annualization of employer health insurance contribution increases in FY 2011 authorized by the 2009 Legislature
- Reinstating overtime, holidays paid, and shift differential for state institution employees since these costs are removed from the base budget
- Fully funding FTE
- Addition of 25.00 new FTE, with 20 positions requested for Healthy Montana Kids (HMK – an increase of 8.00 FTE above the level of one-time FTE funded by the 2009 Legislature) and 5.00 FTE to implement expanded Medicaid family planning services

Personal services increases are partially offset by the Governor's 4% personal services reductions - $4.1 million in general fund over the biennium including elimination of funding for 37.79 FTE.

DPHHS FTE - Function

Going into the 2011 biennium, there were nearly 3,000 FTE funded in HB 2 of which over 1,200 were employed by the six state institutions operated by DPHHS, over 900 were field staff located throughout the state, and about 900 were located in Helena. The five institutions that employ 40% of the DPHHS workforce include: Montana State Hospital, Warm Springs; Montana Mental Health Nursing Care Center, Lewistown; Montana Chemical Dependency Center, Butte; Montana Veterans' Home, Columbia Falls; and Montana Developmental Center, Boulder. In addition DPHHS has 1.00 FTE in Glendive to oversee the contract with a private provider operating the Eastern Montana Veterans' Home.

Medicaid Budget

The Medicaid budget can be found in three of the four DPHHS branches.

- The Economic Security Services Branch meets potential clients and determines eligibility at Offices of Public Assistance (OPA) throughout the state.
- The Operations Services Branch runs the accounting and information technology support for Medicaid services.
- The Medicaid and Health Services Branch administers Medicaid services and the following discussion pertains to this branch.

Figure 2

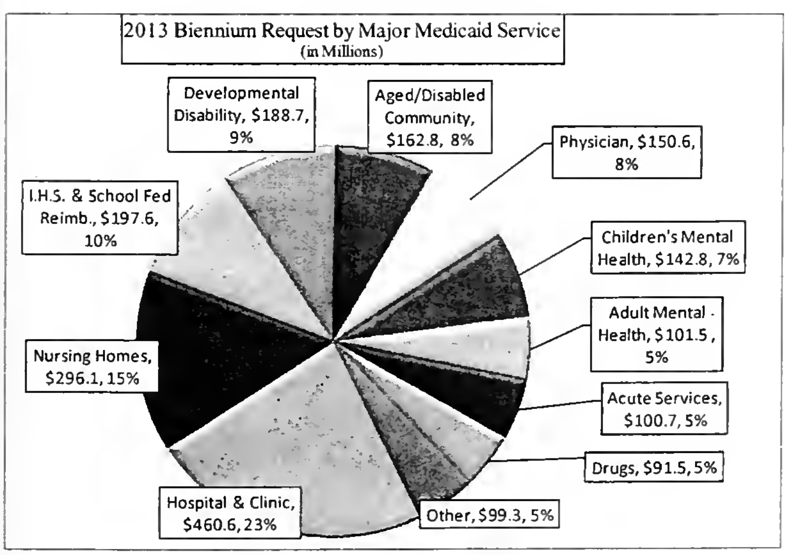
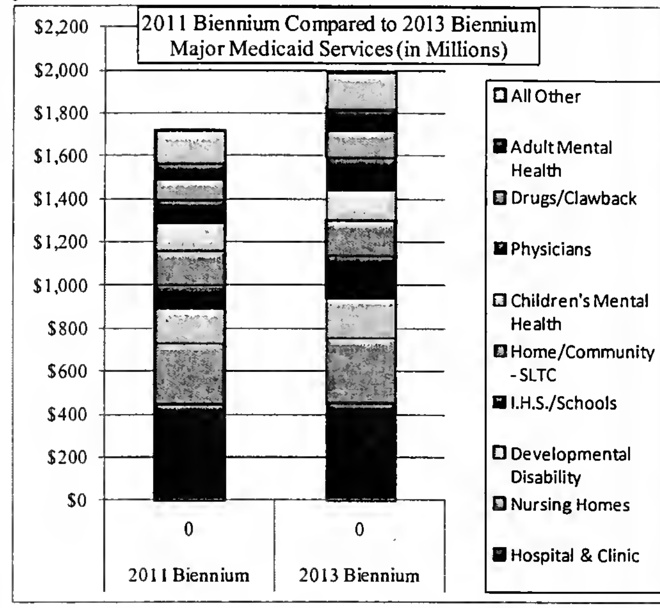


Figure 2 shows the 2013 executive budget request for major Medicaid services. The largest share of the pie is for hospital and clinic services ($460.6 million, 23%), which includes inpatient and outpatient services as well as the hospital utilization fee and federal matching funds. The next largest component is nursing homes at 15% of the total and $296.1 million including the intergovernmental transfer revenue from counties and federal matching funds. Two components of the request are 100% federally funded – payment to Indian Health Services (HIS) providers and reimbursements to schools for services provided to Medicaid eligible children. Other major Medicaid services are under 10% of the total request. However, if adult and children's mental health services are combined, it would represent 12% of total expenditures.

2013 Biennium Compared to 2011 Biennium

Figure 3 shows the 2013 biennium Medicaid services budget by major component compared to the 2011 biennium base budget. The 2013 biennium executive request for Medicaid services is $276.4 million higher than the 2011 biennium base Medicaid expenditures. FY 2011 biennium Medicaid costs do not include one-time appropriations for provider rate increases or for Medicaid services funded in HB 645.

Figure 3



There are three major reasons for the change in general fund and overall costs from the 2011 biennium:

1. Continuance of some one-time-only expenditures and one-time funding that supported ongoing services;
2. Changes in the federal Medicaid match rate (FMAP); and
3. Changes in in service utilization and the number of people eligible for Medicaid.

2013 Biennium Continues Some One-Time Appropriations

About $194.0 million in one-time Medicaid appropriations for the 2011 biennium included in HB 2 and HB 645 (implementation of federal funding in the American Recovery and Reinvestment Act of 2009) were removed from base budget expenditures for Medicaid services. Some of the one-time expenditures were not requested to continue in the 2013 biennium executive budget and those appropriations are discussed in greater detail later in the agency overview. However, some of the one-time funding for Medicaid services is continued in the 2013 biennium request including:

- Autism services - $1.3 million
- Certain organ transplants for adults - $1.5 million
- A portion of Medicaid service funding for ongoing services, such as prescription drugs and acute services (dental, durable medical equipment, private duty nursing) – between $40.0 million to $55.0 million

Changes in FMAP

The general fund increase for Medicaid services is largely attributable to the change in state match rate requirements due to:

- A temporary reduction in the state match rate in FY 2010 and the first half of FY 2011 that reduced general fund and increased federal funds
- Resumption of the regular state match in the 2013 biennium, and an increase in that rate (1.3% in FY 2012 and 1.7% in FY 2013 compared to FY 2010)

Temporary Reductions in the State Medicaid Match Rate

The American Recovery and Reinvestment Act of 2009 (ARRA) authorized a temporary increase in the federal Medicaid match rate (FMAP) from January 1, 2009 through December 31, 2010. The impact to Montana was a 10% reduction in the state match required for Medicaid and foster care services. When the 2009 Legislature met, it estimated that savings from the reduced state match would be about $146.0 million general fund over the 2011 biennium. The legislature also estimated increased general fund revenues due to the enhanced FMAP of $14.0 million from higher reimbursement for Medicaid services provided by state institutions and the diversion of a portion of the hospital utilization fee to the general fund.

The legislature authorized the Office of Budget and Program Planning to adjust FY 2010 base budgets for Medicaid and foster care services by increasing general fund to replace the temporary federal funds in order maintain base level spending in the 2013 biennium. Figure 4 shows the increase in the adjusted base budget for Medicaid services was $70.6 million general fund.

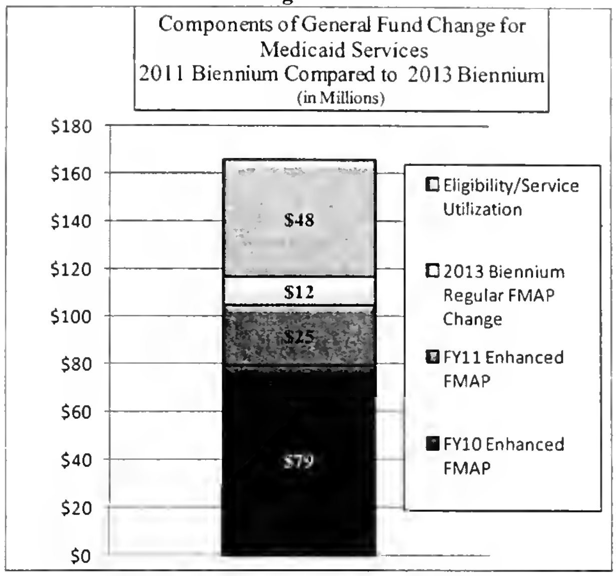
Savings Not Anticipated by the 2009 Legislature

There were additional savings during the 2011 biennium related to the federal Medicaid match rate that were not anticipated by the 2009 Legislature. The total savings projected for the 2011 biennium exceed 2009 session estimates by $52.2 million due to:

- ARRA FMAP change being applied to the clawback payment (state reimbursement to the federal government for a portion of savings related to Medicare Part D coverage of drug costs for persons eligible for both Medicaid and Medicare) - $8.4 million
- Tier 3 (higher) unemployment adjustment level being applied instead of the Tier 2 originally anticipated - $19.3 million
- Federal JOBS bill extending FMAP increases at a stepped down rate from January 1, 2011 to June 30, 2011 - $25.0 million

Each of these additional savings added to the state general fund balance.

Figure 4

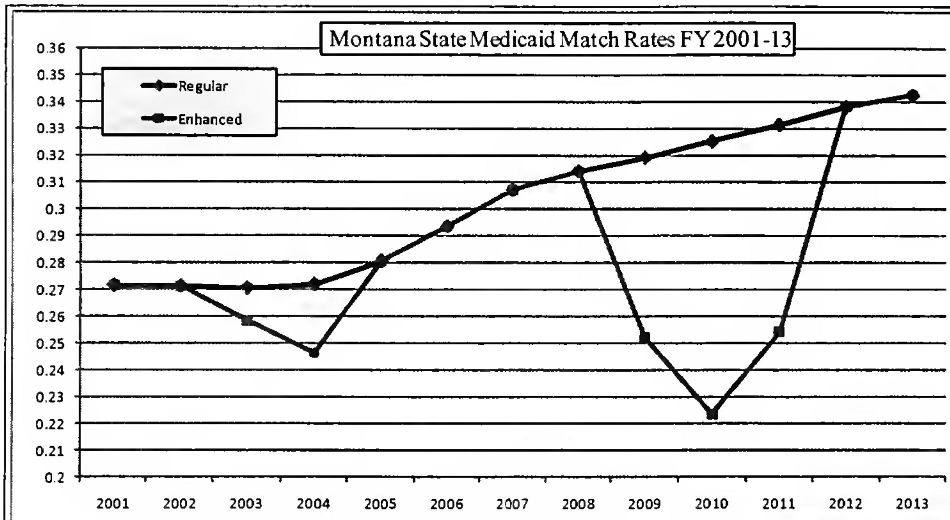


Regular Medicaid Match Rate Increases

The executive budget request about $12.4 million general fund in specified decision packages due to changes in the regular Medicaid match rate. Most Medicaid services require a state match, paid from the general fund and augmented by some state special revenue funds. The state match rate is based on a formula that compares changes in each state's per capita income to changes in the national average. If a state's per capita income performs better than the average, then its match rate goes up. The maximum state match rate is 50%. Montana's match rate is 33.81% in FY 2012 and projected to be 34.16% in FY 2013 compared to an unenhanced base rate of 32.52% in FY 2010. Figure 5 shows historic changes in the federal medical assistance percentage (FMAP), including the effect of temporary enhancements.

Enhanced FMAP

Figure 5



2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
27.15%	27.12%	27.04%	27.19%	28.04%	29.34%	30.71%	31.41%	31.92%	32.52%	33.14%	33.81%	34.26%
27.15%	27.12%	25.85%	24.64%	28.04%	29.34%	30.71%	31.41%	25.20%	22.35%	25.42%	33.81%	34.26%

*Changes to Enhanced rate from FY 2003-04 implemented as a result of the Jobs and Growth Tax Relief Reconciliation Act of 2003.
*Changes to Enhanced rate from FY 2008-11 due to the enactment of the American Recovery and Reinvestment Act of 2009.
Source: Department of Public Health and Human Services, November 23, 2010.

Changes in Service Utilization and Numbers Eligible

The third primary reason for the increase in Medicaid costs from the 2011 biennium is in changes in service utilization and the number of persons eligible for Medicaid. These factors can be the most volatile and difficult to predict because they are sometimes beyond the control of the legislature. Therefore, this section begins with a discussion of risks associated with projections of costs.

Risks Associated with Medicaid Budgeting

There is inherent risk in establishing Medicaid appropriation levels due to the:

- Magnitude of the appropriation
- Significant factors that drive cost trends are variable, some of which are beyond the control of the legislature
- Difficulty in predicting underlying economic conditions that influence the number of people eligible for services

If the Medicaid appropriation is too low, then DPHHS must:

- Make program changes to Medicaid to lower spending, potentially without legislative input
- Reduce other programs and transfer savings to shore up Medicaid
- Request additional funds from the next legislature

If the Medicaid appropriation is too high:

- It precludes the legislature from potentially funding other priorities
- Excess appropriation authority may not be reverted, but spent in other ways without legislative direction

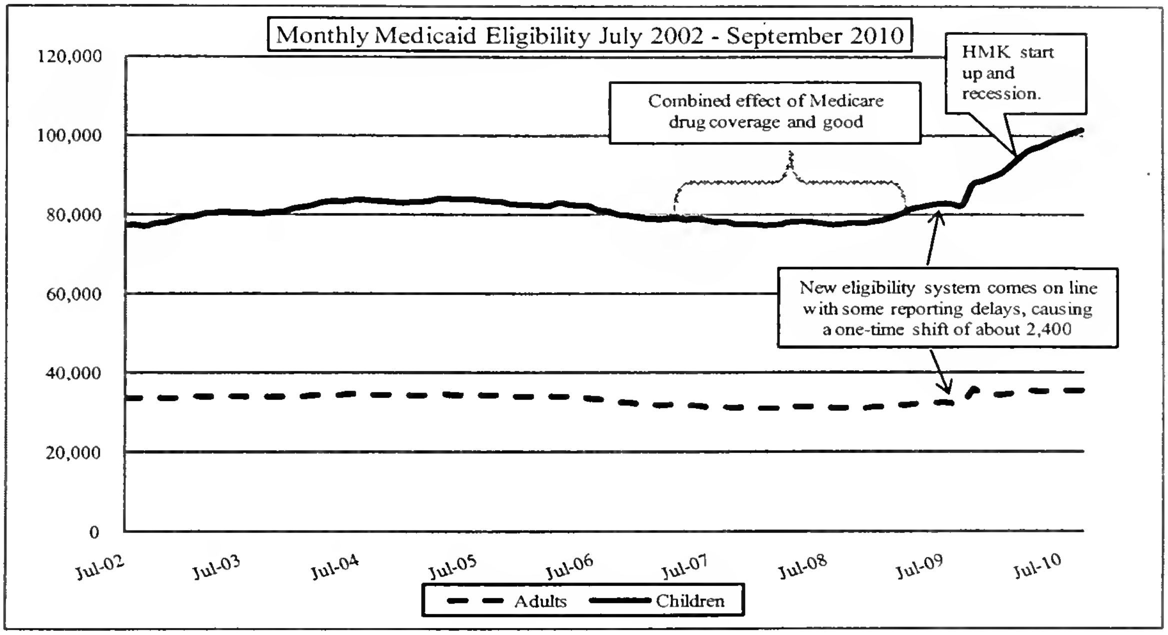
Magnitude of the Appropriation

Medicaid services are a large portion of the total HB 2 appropriation – about 41% of the executive 2013 biennium budget request - and Medicaid costs can be volatile. Most Medicaid services are an entitlement, meaning that if a person meets eligibility criteria and a service is medically necessary, the service must be provided.

Medicaid Enrollment

Figure 6 shows enrollment in Medicaid from July 2002 to September 2010. Enrollment has grown steadily over that time, from 80,075 to 101,382. The majority of the increase has been in the number of children enrolled partially due to implementation of HMK, which raised Medicaid eligibility for children and eliminated consideration of family assets. The 2009 Legislature established funding sufficient to raise Medicaid eligibility for children to 133% of the federal poverty level, compared to the statutory ceiling of 185%.

Figure 6



Significant Factors Driving Cost Trends - Variability

There are four basic components that drive Medicaid services costs:

- Eligibility criteria
- Services provided
- Level of service utilization
- Reimbursement rates

Where can the Legislature Affect the Cost Drivers?

The legislature can affect three of those components – services provided (within certain limitations), level of service utilization (within certain limitations for children), and reimbursement rates. Due to changes in the Patient Protection and Affordable Care Act of 2010 (PPACA), states must maintain eligibility standards, methodologies, and procedures for Medicaid and Children's Health Insurance Program (CHIP) that were in place March 23, 2010, when the act was signed, in order to receive federal Medicaid matching funds. If a state lowers eligibility, it risks losing all Medicaid matching funds for the time period in which the restrictions are in effect. The amount of federal reimbursement for Medicaid services is estimated to be $1.4 billion in the 2013 biennium executive budget request.

The MOE applies to eligibility levels for children, elderly, pregnant, and disabled persons. However, PPACA includes an exemption from the eligibility MOE for certain adult groups. If a state certifies to the Secretary of the U.S. Department of Health and Human Services that the state has a budget deficit, or is projected to have a budget deficit, the state may lower Medicaid eligibility standards to 138% (133% floor plus a 5% disregard) of the federal poverty level for adults who are not disabled and who are not pregnant.

The Maintenance of Effort (MOE) exemption may have limited application to Montana because Medicaid financial eligibility for nondisabled, nonpregnant adults is about 33% of the federal poverty level. Compared to some other states that have received exemptions from the MOE, Montana has lower eligibility standards for these adults.

In Montana, the only groups whose Medicaid eligibility exceeds 133% of the federal poverty level are pregnant women (150%) and persons with breast and cervical cancer (200%). The MOE cannot be waived for pregnant women. It is not clear whether eligibility could be reduced for the group eligible for breast and cervical cancer treatment, which accounts for $10.1 million total funds - $2.4 million general fund over the 2013 biennium.

Medicaid Services Provided and Levels of Service Utilization
The legislature can influence levels of service utilization and the services funded within certain limitations. The legislature can discontinue funding for optional Medicaid services (those not required to be part of a state Medicaid plan under federal regulations) and it can establish service limitations for some services. The options to restrict Medicaid services for children are much more limited than restricting services for low-income adults.

Service restrictions must be carefully crafted to prevent shifts to higher cost mandatory services or to services that are fully funded from the state general fund. In some instances, cost shifts to local governments can also occur.

Provider Rates
Another policy option that the legislature can consider to reduce overall Medicaid costs is to lower reimbursement rates. This option can have unintended consequences such as limiting access to services if providers opt to discontinue participation in the Medicaid program, cost shift to more expensive services, and cost shift to other payors.

Variability

Medicaid service costs are impacted by several diverse factors, which can cause costs to vary over a biennial budget cycle. Medicaid costs are projected from payments for services (paid claims). Medicaid cost projections for most Medicaid services are based on overall cost trends, although some cost projections are based on the estimated number of eligible persons and the average cost per person. Unanticipated changes in eligibility, service utilization, or provider behavior can have significant impacts on service costs for the majority of Medicaid services. Additionally, federal policy changes can impact state costs, although most significant policies have a degree of lead time that allows legislators to choose how to respond.

Final Medicaid cost estimates for budgeting purposes are usually developed in January or February of a legislative session, using data that is 30% to 40% complete for the current fiscal year and mostly complete for the two most recent fiscal years. These projections establish appropriation levels through June 30, 2013 but Medicaid appropriations can be adjusted by the 2013 Legislature if necessary.

<u>General Fund Impact</u>

Small changes in the state Medicaid match rate, or enrollment and service utilization increases can have significant impacts on the amount of general fund required for state match.

Change in State Match from 1% FMAP Change
Federal FMAP rates for FY 2012 have been established, but the FY 2013 FMAP used in the executive budget is an estimate. If the actual FMAP is different it can have a significant impact on state spending. For example, a 1% change in FMAP in FY 2013 would cause a $9.0 million change in the state funds required to pay for Medicaid services. If the federal match rate is higher, then state costs are reduced. However, if the federal match rate is lower than expected, state costs increase.

Change in State Match from 1% Service/Caseload Trend Change
The impact of a 1% change in overall Medicaid cost trends would change state funding requirements for Medicaid services by $6.1 million based on the 2013 biennium Medicaid budget request and expected match rates.

Moderation in Medicaid Cost Trends Tied to Policy Changes

Medicaid cost trends (not including the effect of provider rate increases) have risen 2% to 10% annually since 2003. Nationally Medicaid cost trends indicate that, while changes in costs and enrollment closely mirror one another, overall program cost changes have been higher than enrollment changes, and costs have continued to increase year over year even when enrollment is declining. There have been instances where annual cost growth has been below 2% or declined for some services. However, in the vast majority of instances there are specific policy actions that cause cost moderation or cost declines. Therefore, if cost growth is to be moderated, policy makers need to implement specific programmatic changes to lower costs.

The most recent example of a specific programmatic change that moderated Montana Medicaid costs generally and drug costs specifically was due to the implementation of Medicare Part D premium assistance. Some low-income persons are eligible for both Medicaid and Medicare (dual eligibles) - about 13,720 persons or 14% of total Medicaid enrollment (101,380) as of September 2010. Prior to implementation of Medicare Part D, the Medicaid program paid for drug costs for dual eligibles and in some instances the amount persons incurred in drug costs made them eligible for Medicaid. When Part D was implemented, Medicaid drug costs declined from $80.5 million in FY 2005 to $38.0 million in FY 2007 (net for drug rebates, but not including reimbursement to the federal government through the clawback payment).

National Trends/Recession

Since 1998 cost trends for total Medicaid spending nationally have ranged from the lowest annual increase of 1.3% (after implementation of Medicare part D) to the highest annual increase of 12.7% in 2002 (Kaiser Health Foundation, "Hoping for Economic Recovery, Preparing for Health Reform: A Look at Medicaid Spending, Coverage and Policy Trends Results from a 50-State Medicaid Budget Survey for State Fiscal Years 2010 and 2011, September 2010). Historically, Medicaid services costs have increased even when enrollment shows a year over year decline.

In early FY 2011, a few states were seeing signs that enrollment in Medicaid was slowing (Kaiser Health Foundation, September 2010). However, despite enrollment growth easing, overall costs were projected to increase 7.4%.

Executive Medicaid Assumptions

In examining the legislative proposal, a number of questions related to the previous discussion are pertinent:

- What trends does the executive assume?
- How closely do the assumed trends follow to historical trends?
- What factors or policy changes would make variability from historical trends appropriate?
- What programmatic changes does the executive propose?
- What are the primary risks of the specific projections used?

DPHHS provided projections for major Medicaid services. In most instances the projections equal the executive budget request, but in some areas there are slight differences. Data relevant to specific differences and the assumptions used in developing cost estimates for major services was not available.

DPHHS submitted the following information to explain the assumptions it used in developing the Medicaid cost estimates for the 2013 biennium budget.

"The following risk assumptions were made when DPHHS forecasted Medicaid caseload costs for the executive budget. These assumptions were accepted by the Governor's Office of Budget and Program Planning.

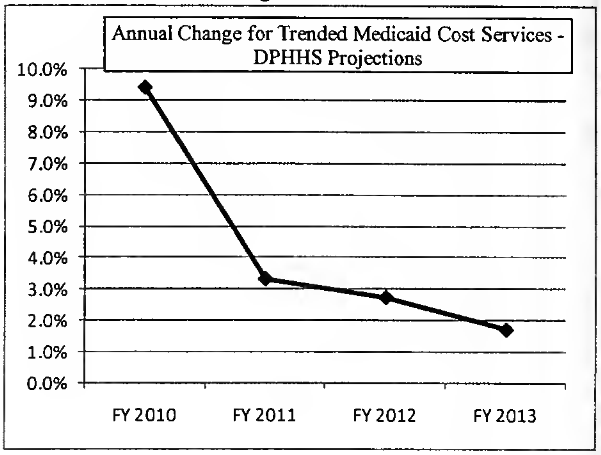
- The economy has started to recover in SFY 2011
- Unemployment has plateaued (7.3% on 11/23/10; range 7.1-7.4% for last seven months)
- Revenue estimates are increasing (estimated increase by both legislative and executive staff of 2 to 5% per year from 2010 to 2013)
- Projected increases for SFY 2012-2013 are 1.32% and 2.59%. These are within a normal range of risk. Actual growth has ranged from 0.6% to 14.2% in the past ten years.

- o Department has assessed risk in our forecasts at both extremes – we acknowledge that if our forecasts are too high we tie up dollars that are needed elsewhere – if we are too low, the Department would be underfunded
- o Department is below our long term average growth, but within our long term risk tolerance
- o It is important to note that the average long term growth trends include provider rate increases which are not in the executive's proposed budget for this biennium
- o The current growth in number of eligibles is occurring mainly in children
- o This was expected as Healthy Montana Kids (HMK) has been targeted for growth through aggressive outreach
- o HMK portion of caseload has a dedicated state special revenue source(s) of funding
- o Department budget forecast was built by using a mixture of older trended history, recent 2 year history, and what we believe will happen in the next biennium"

Overall Executive Medicaid Cost Trends

Figure 7 shows the overall cost trend in the executive budget for Medicaid services estimates that use trended projection techniques. The cost trends in the figure do not include services that are funded entirely from federal funds (Indian Health Services and school based services), services that are based on the number of enrollees times the per enrollee cost (Medicare buy-in), or community services where enrollment can be capped (home and community based waiver services for disabled and aged).

Figure 7



Specific Risks of Executive Proposal

- o Trends used
- o Potential enrollment changes
- o Programmatic changes

Trends

The executive Medicaid estimates are based on total cost changes ranging from 1.9% to 2.8%, with costs projected to grow most slowly between FY 2012 and FY 2013. Nationally the lowest year over year change in Medicaid costs was 3.0% from 2005 to 2006. During that time enrollment increased 0.2% and cost growth would have also been moderated by implementation of the Medicare Part D prescription drug program. (Source: Kaiser Family Foundation, September 2010.)

Enrollment Changes

DPHHS is beginning an outreach campaign for HMK. It is likely that in addition to enrolling children in HMK, some of their parents will be eligible for Medicaid services. Persons remain eligible for Medicaid up to 12 months if their earnings increase and make them ineligible for Medicaid (transitional Medicaid assistance), which also contributes to ongoing high enrollment. Therefore, overall Medicaid enrollment would need to begin to decline soon in order for the overall cost trends to moderate at the level predicted in the executive budget.

Programmatic Changes

The executive budget does not identify specific programmatic changes for discussion with the legislature that would significantly lower Medicaid cost trends. DPHHS did implement a program – the Health Improvement Program – discussed later that would moderate costs in some areas. However, there are no other major programmatic changes that would reduce costs. As noted previously, the major components driving Medicaid costs include enrollment levels, reimbursement rates, and service utilization. Since it is likely that enrollment levels in Medicaid will at best remain stable, due in part of HMK outreach, there are no programmatic changes proposed in the executive budget to change provider rates or significantly lower service utilization.

LFD Lacks a Medicaid Cost Model

LFD staff prepares independent estimates for selected Medicaid services including nursing home services, the Medicare buy-in (payment of Medicare deductibles for dual eligible persons), some children's services, and some mental health services. Historically, LFD staff has considered Medicaid caseload estimates jointly with DPHHS staff, including discussions of the model used by DPHHS, cost trend assumptions, and various discrete changes made to estimates. This process was not available to LFD staff as part of the 2013 biennium budget development. Therefore, the ability of LFD staff to analyze Medicaid caseload estimates included in the executive budget is not as complete as in past years, also contributing to the level of risk in establishing Medicaid cost estimates.

Recently, the department transferred a large amount of Medicaid data to the LFD. While the data is available, the model, detailed assumptions, and skill set for working with the data has not been developed in the LFD. The lack of either a cooperative analysis or an independent model may expose the state to more risk than is appropriate for this large of a spending item. Given the change in the executive procedures in the development of these projections, it may be appropriate for the LFD to invest staff time and resources necessary to develop independent analysis and reporting of Medicaid caseload forecasts.

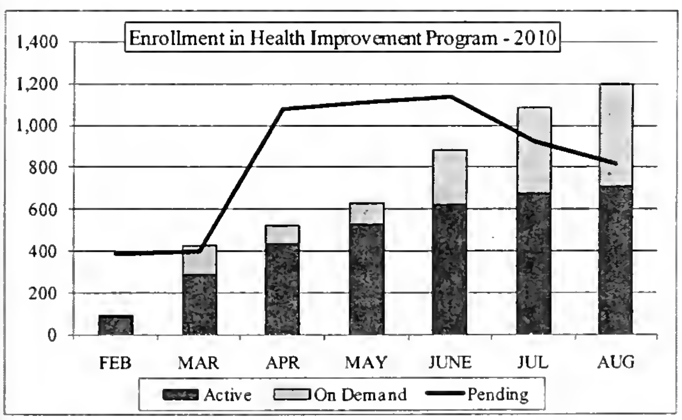
DPHHS Medicaid Initiatives

DPHHS has implemented two Medicaid services initiatives since the 2009 legislative session – the Health Improvement Program (HIP) and a mental health Medicaid expansion (Health Insurance Flexibility and Accountability – HIFA waiver).

Health Improvement Program

DPHHS contracted with 14 Community Health Centers including 1 Tribal health center to provide care management for certain Medicaid eligible persons. DPHHS opted to implement the HIP program in place of a disease management contract with mixed performance outcomes.

Figure 8



Program participants are enrolled in HIP based on results from a modeling application that uses Medicaid paid claims to predict potential future high cost and service utilization for individual Medicaid clients. Figure 8 shows enrollment in the program through August 2010. Active enrollees are those who work regularly with Community Health Center staff while on demand enrollees contact HIP staff as they feel necessary. The solid line the chart is the number of persons referred to the contractors who are eligible for enrollment. DPHHS estimated preliminary cost savings of about $238,000 in the first five months of program implementation. The legislature may wish to request updated information.

Mental Health Expansion

DPHHS received federal approval in late November 2010 for the mental health expansion waiver (HIFA waiver) that was first discussed with the legislature nearly four years ago. The waiver will allow the state to cap enrollment in a Medicaid services expansion. The waiver will transition 800 adults with schizophrenia and bipolar disorder from state funded mental health services to Medicaid services, including mental health services and a limited physical health benefit. This program is discussed in greater detail in the Addictive and Mental Disorders Division in the Medicaid and Health Services Branch.

Other New Medicaid Programs

DPHHS has submitted two draft Medicaid proposals for review by the federal Centers for Medicare and Medicaid Services (CMS) that are not included in the agency budget request. The proposals are discussed in the budget analysis

because each has significant policy issues and potential budget implications. The proposals are: Medicaid Part D drug coverage and a five county managed care proposal.

Medicaid Part D

The Medicaid Part D proposal would allow all Montanans to be Medicaid eligible for prescription drug services. A simplified explanation of the proposal is:

- Any Montanan can apply to be Medicaid eligible
- Montanans with incomes and resources in excess of regular Medicaid program eligibility criteria would be eligible for one Medicaid service only and that would be the option to purchase prescription drugs
- A person covered by Medicaid Part D would pay the full cost of the drug, but the cost of the drug would be the price that the Medicaid program pays
- Program administrative costs would be paid from rebates paid by drug manufacturers as a condition of participation in the Montana Medicaid program
- Rebates in excess of administrative costs for the Medicaid Part D program would also be paid to participating Montanans

Other states have implemented programs with similarities to the Montana proposal. However, courts have held that since the state program did not make a payment for the drug, the manufacturer rebate could not be used to reduce the government's cost of funding Medicaid.

If the Medicaid Part D proposal is approved and if it fulfills legal conditions associated with Medicaid regulations, then individuals and health insurance plans, including the state employee health plan, would save money on prescription drug costs. The Medicaid Part D concept might have the potential to be extended to other Medicaid services as well, lowering payments for services to the Medicaid rate.

Five County Managed Care Proposal

DPHHS has submitted a concept paper to CMS outlining a managed care proposal for a five county region including Cascade, Lewis and Clark, Choteau, Judith Basin, and Teton counties. The proposal would integrate all Medicaid services into a single contract, including home and community based services for the aged, disabled, and mentally ill as well as nursing home services. According to DPHHS staff, a contract of this type has not been tried by any other state.

DPHHS has contracted for the development of actuarial rates for individuals in the Medicaid program and rates should be developed and available during the legislative session. DPHHS plans to issue a request for proposal (RFP), which would require the successful bidder to assume management and payment of all Medicaid services for 10% less than the projected cost to the state. The contract would be a full risk contract, meaning that DPHHS would not share in any cost over runs and potentially not share in any cost savings either. Payments to the contractor would be based on a per capita payment for every person eligible for Medicaid and Healthy Montana Kids (HMK) services in the five county area.

Written information explaining the proposal is broad brush with few details. It isn't clear when the proposal would be implemented and what types of parameters would be included in the RFP. The legislature may wish to request additional information on this proposal.

2013 Biennium Workload

In the coming two years, in addition to implementing several new and complex Medicaid programs, DPHHS will also undertake several challenging initiatives including:

- Issuing an RFP to replace the Medicaid Management Information System (MMIS) and overseeing system development
- Initiating processes and automated system designs to implement provisions of PPACA (federal health insurance reform)
- Ramping up an outreach campaign to increase enrollment in HMK

These time and labor intensive management initiatives will be undertaken at the same time that cutbacks in staffing and other programs are proposed in the executive budget.

Federal Health Insurance Reform

PPACA will have a major impact to state Medicaid programs due to expansion of Medicaid eligibility, and changes in eligibility determination, implementation of health insurance exchanges, and potentially service design. In summary the major changes:

- Raise Medicaid financial eligibility for nonelderly, nondisabled persons to 138% of the federal poverty level (133% plus a 5% income disregard) and eliminate consideration of assets for this group
- Standardize and simplify Medicaid eligibility determination by defining modified adjusted gross income (MAGI) and tying it to income submitted on federal tax forms
- Increase automated capacity to determine eligibility for Medicaid and CHIP by requiring health insurance exchanges to either determine Medicaid eligibility or provide a transparent link to an eligibility determination system
- Outline a service package that must be provided to persons newly eligible for Medicaid services

Other Major Executive Budget Issues

In addition to Medicaid appropriation levels, there are several other significant DPHHS budget issues including:

- State special revenue funding available to pay state matching costs for the HMK program is too low to support projected enrollment increases during the 2013 biennium
- The executive budget submission does not identify reductions necessary to fully reduce on-going services that were supported by the $22 million one-time appropriation in the 2011 biennium
- Temporary appropriations from the 2011 biennium and their impact on the 2013 biennium budget request
- Several state special revenue funds are over budgeted (see discussion in the funding section), including:
  - Tobacco settlement funds and tobacco trust fund interest

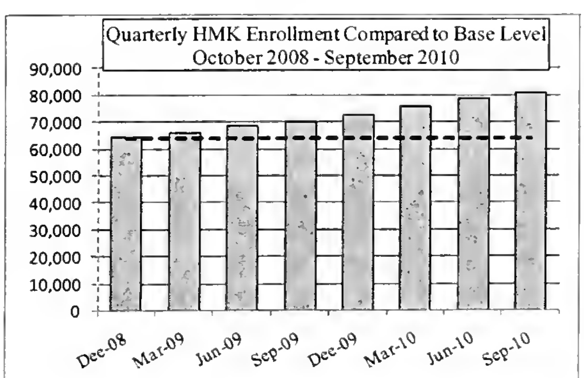
Each of these issues is summarized, but presented in greater detail in the division budget discussions.

Healthy Montana Kids

HMK was enacted by voter initiative (I-155) in November 2008. The initiative:

- Combined Medicaid and CHIP services for children into a single program
- Raised financial eligibility for CHIP and Medicaid services for children
- Eliminated consideration of family assets for Medicaid eligibility determination for children
- Diverted a portion of insurance premium taxes from the general fund to pay for the state match for increased enrollment in HMK

Figure 9



The 2009 Legislature appropriated $112.7 million to support increased enrollment in the program, including funding for 24.00 FTE, with half of the FTE funded for the 2011 biennium only. The 2009 Legislature also reduced the flow of insurance premium tax into the HMK state special revenue account from 33% to 16.5% from July 1, 2010 to June 30, 2013. The executive budget includes $205.0 million for HMK in the 2013 biennium (including Medicaid services for children in families with incomes up to 100% of the federal poverty level). The executive request also includes funding for 20.00 new FTE bringing the total number of FTE for HMK program administration to 32.00. Figure 9 shows total program enrollment from October 2008 until September 2010. Enrollment levels above that on November 2008 (the dotted line in the figure) are eligible for the state share of costs to be paid from the HMK state special revenue account.

HMK State Special Revenue Not Adequate to Fund Total Increase in Enrollment

The executive budget funds the state match for the federal CHIP grant and for a small amount of Medicaid services for HMK from the state special revenue fund dedicated to the program. However, a significant portion of the state matching funds to support increased enrollment in HMK is funded from the general fund. If the state matching cost for all services for increased enrollment in HMK were funded from the HMK state special revenue account, it would be short by up to $11.8 million by the end of FY 2013.

The statute governing the use of the HMK state special revenue account states that it is to be used only to fund increased enrollment in the program. However, the statute does not provide guidance as to use of the state special revenue if funds are inadequate to support total enrollment in the program, other than to reference changes that can be made to services funded from the federal CHIP grant that supports HMK/CHIP services.

LFD COMMENT

Legislative Options – HMK Appropriation Level

The legislature has several options to consider regarding the share of state funding for HMK. However, as discussed previously, the option to lower eligibility criteria may put all federal Medicaid matching funds at risk. Legislative options to alter the HMK program are discussed in greater detail in the Medicaid and Health Services Branch, Health Resources Division.

2011 Biennium Temporary Appropriations

The 2009 Legislature made several one-time appropriations in HB 2 and HB 645 (implemented the federal American Recovery and Reinvestment Act of 2009). These one-time appropriations included both general fund and federal funds. Some of the one-time appropriations supported:

- On-going costs that the legislature directed DPHHS to offset through spending reductions in the 2013 biennium budget request
- On-going costs that are requested to continue in the 2013 biennium budget
- Expenditures such as provider rate increases and community services for the elderly that can be considered current services but that are not continued in the 2013 biennium budget request, and represent reductions to those groups that benefitted from one-time funding in the 2011 biennium
- One-time increases in federal categorical grants that are not continued in the 2013 biennium with either federal or state funds.

One-Time Appropriations and Required Spending Reductions

$22.0 Million Structural Balance One-Time-Only Appropriation

The 2009 Legislature allocated $22.0 million general fund that supported ongoing services to one-time-only appropriations to achieve structural balance in the 2013 biennium. The legislature included language in HB 676 requiring the department to review, evaluate, and select budget reductions for consideration by the 2011 Legislature to meet reduced funding levels ($10.7 million in FY 2010 and $11.3 million in FY 2011). The legislature allocated the one-time appropriations to Medicaid services, but allowed DPHHS to identify reductions in any area it chose. HB 676 also required the Legislative Finance Committee (LFC) to monitor the department budget review initiative. Figure 10 shows the one-time appropriation (reductions) allocated to Medicaid services within four divisions.

Figure 10

Department of Public Health and Human Services
Structural Balance OTO Funding Allocated in HB 2

Division	FY 2010	FY 2011	Biennial
Disability Services Division	$1,252,469	$1,322,868	$2,575,337
Health Resources Division	6,602,567	7,169,677	13,772,244
Senior and Long-term Care Division	2,476,265	2,482,536	4,958,801
Addictive and Mental Disorders Division	318,879	374,740	693,619
Total Allocation in HB 2	$10,650,180	$11,349,821	$22,000,001

As part of the evaluation, the legislation allowed the department to include changes such as:

- Reducing administrative costs
- Changing eligibility or level-of-care requirements
- Limiting the number of Medicaid services that adults may receive
- Changing Medicaid services included in the Montana Medicaid state plan
- Developing more cost-efficient methods to deliver services
- Limiting or changing services that are fully state funded

The legislation also stipulated that achieving the necessary general fund reduction in the 2013 biennium budget request could not include shifting costs to state special revenue funds (see issue below). Figure 11 shows the reductions identified by DPHHS as presented to the LFC in October 2010.

Figure 11

Department of Public Health and Human Services

Chart of Reductions Identified by DPHHS

Structural Balance One-Time-Only Appropriation

Base Year OTO Target FY2010	FY2011	Biennial Total
$10,650,180	$11,349,821	$22,000,001

	Cumulative Annual Reduction Options: $15,985,471
Other Items In 17-7-111 Statutory Reduction Plan *not included in the DPHHS September 1 Budget Submission: Other options not listed below, totaling $5,335,291*	
FY2010 Base Year Structural Balance OTO Target: $10,650,180	$10,650,180
Other Items in 17-7-111 Statutory Reduction Plan: $1,119,357 of the options to total $10,650,180	$9,530,823
Other DPHHS Budget Proposals Submitted September 1: $3,298,409	$6,232,414
4% FTE Reduction Proposals for FY12-13 in DPHHS September 1 Budget Submission: $2,317,644	$3,914,770
17-7-140 Reductions sustaining in FY12-13: Operations Efficiencies = $433,450; Program Efficiencies = $2,668,054; Total FY12-13 Reductions = $3,101,504	$813,266
17-7-140 Statutory Reduction Plan *FY2010 Reductions to Base not included in FY12-13 Budget Submission* $813,266	

Note:
This chart is an addendum to the "*Report to the Performance Measures Subcommittee of the Legislative Finance Committee On the Structural Balance Funding Requirement in 12-7-111, MCA*" presented as part of the Department's initial budget submission on September 1, 2010. The chart is a graphic presentation of the data provided in the report, showing the reductions made in the FY2010 base through the 17-7-140 reductions, the department's 2013 bienniumbudget proposal to the Governor, and 5% statutory reduction options provided in accordance with law.

In January 2010, the Governor required state agencies to reduce general fund spending by 5% by invoking 17-7-140, MCA because, at the time, the general fund ending balance was projected to be less than 1% of all general fund appropriations during the biennium. $0.8 million of the reductions included in Figure 11 were removed from FY 2010 base expenditures as part of the reductions ordered under 17-7-140, MCA.

The department included the majority of the reductions proposed in the structural balance plan in its 2013 biennium budget submitted to the Office of Budget and Program Planning. The reductions in the agency budget submission included:

- $3.1 million in spending reductions for operational and program efficiencies that the Governor made to the agency 2011 biennium general fund budget in accordance with 17-7-140, MCA. As the reductions were effective in FY 2011 they are not reflected in the base. The $3.1 million is to continue the original reductions in the 2013 biennium
- $2.3 million in personal services cost reductions that support FTE; the FTE were permanently eliminated from the budget
- $3.3 million in other DPHHS budget proposals

As presented in the DPHHS structural balance plan, the reductions included in the agency's submitted budget total $9.5 million annually, leaving $2.2 million of additional reductions that were not identified in the department budget submission of September 1, 2010. The department testified to the LFC that the legislature could determine additional reductions to the base required to achieve structural balance from those included in the 5% reduction plan required under 17-7-111(3)(f).

LFD ISSUE

Structural Balance Plan Concerns

The Governor's 2013 biennium budget submission modified elements of the structural balance plan submitted by the agency. Changes include:

- Reductions of $0.4 million of personal services included as 4% FTE Reduction Proposals were eliminated bringing the total to $1.9 million compared to $2.3 million shown in Figure 11
- Inclusion of almost $0.6 million in personal services costs that are shifted to state special revenue funds thereby making the reductions unallowable for inclusion in the structural balance plan
- Reductions of $1.1 million to the Other DPHHS Budget Proposals for a total of $2.2 million as compared to $3.3 million included in the agency's budget submission and shown in Figure 11

Budgeting statutes required the Governor to select $10.6 million in general fund reductions for consideration by the legislature as the funding was designated as one-time-only and should not be included in the FY 2010 base. The executive budget includes only $7.4 million, leaving the structural balance requirement $3.2 million less each year than anticipated in statute.

The DPHHS 5% reduction plan has an additional $8.8 million in reductions that were not part of the Governor's proposed budget. It is DPHHS and OBPP interpretation that the 5% plan to reduce the FY 2010 base is part of the budget submission. As an option, the legislature could consider using proposals in the 5% reduction plan to reduce the base budget.

LFD ISSUE CONT.

In addition, the Legislative Finance Committee (LFC) requested a listing of Medicaid optional services from DPHHS. Federal Medicaid requirements include provision of a basic level of services. States have the option of providing additional services to eligible individuals. The listing provides summary information on the service, FY 2010 costs, savings if the services was eliminated, number of individuals affected, cost shifts to other areas of the budget, potential areas individuals would seek their services if the department eliminated them, and changes to federal or state law that would be required to implement the changes. The full report can be found at:
http://leg.mt.gov/content/Publications/fiscal/Legislative-Options/September-2010/Optional-Medicaid-Services.pdf

Option: The Health and Human Services Joint Appropriation Subcommittee can:

- Require the agency to select an additional $8.6 million in reductions for consideration by the legislature
- Select items from the 5% reduction plan to reduce the base budget to the level required
- Select from the items on the Medicaid optional services list

One-Time Appropriations Requested to Continue

There are several 2011 biennium one-time appropriations that are requested to continue. One-time appropriations from HB 2 that continue are:

- Medicaid coverage for certain organ transplants for adults - $1.5 million
- Autism group home - $1.3 million, $0.4 million general fund
- 12.00 FTE to administer HMK (plus an additional 8.00 new FTE) - $1.3 million

One-time appropriations from HB 645 that continue are:

- Medicaid services generally – $40.0 to $55.0 million
- Medicaid services due to federal eligibility changes for Indians - $1.5 million

One-Time Appropriations that are not Continued

There are several one-time appropriations that are not continued in the 2013 biennium request, including:

- Provider rate increases of 2% in FY 2010 - $13.0 million
- Direct care worker wage increases for Medicaid home based services for the elderly and physically disabled - $8.2 million
- Aging services - $3.0 million
- Community mental health crisis jail diversion services - $0.5 million
- Montana food banks - $0.5 million general fund

One-Time Federal Categorical Grant Increases

HB 645 included appropriations for increases in federal categorical grants that are not continued including:

- SNAP benefits and associated administration - $57.7 million
- Weatherization projects - $27.5 million
- TANF benefits, subsidized employment program, and short term emergency assistance - $10.2 million
- Food distribution, rapid re-housing, and Community Services Block Grants - $8.5 million
- Child Care Discretionary Block Grant - $5.7 million
- Vocational rehabilitation and independent living services - $2.3 million
- Subsidized adoption and foster care benefits - $1.8 million

Governor reduced the following HB 645 general fund legislative appropriations as part of the 17-7-140, MCA reductions n April, 2010:

- $1.5 million to address homeless prevention was reduced by $293,740
- $714,000 for health information technology was reduced by $50,000
- $500,000 general fund for mental health crisis jail diversion services was reduced by about $450,000

There is additional information in division budget discussions.

Funding

The following table summarizes funding for the agency, by program and source, as recommended by the Governor. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2013 Biennium Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
01 Mangement and Disability Transitions Program	$10,815,493	$3,208,720	$37,202,486	$51,226,699	1.38%
02 Human and Community Services Division	61,871,752	4,771,622	709,003,354	775,646,728	20.85%
03 Child & Family Services Division	66,072,560	4,990,844	54,219,572	125,282,976	3.37%
04 Director's Office	3,276,797	770,358	3,910,618	7,957,773	0.21%
05 Child Support Enforcement Division	8,173,756	3,584,449	10,094,939	21,853,144	0.59%
06 Business & Financial Services Division	7,200,810	1,350,629	9,643,942	18,195,381	0.49%
07 Public Health & Safety Division	6,728,655	36,664,853	81,194,236	124,587,744	3.35%
08 Quality Assurance Division	4,685,116	1,337,264	11,558,823	17,581,203	0.47%
09 Technology Services Division	18,025,515	2,204,317	25,394,194	45,624,026	1.23%
10 Disability Services Division	150,465,770	11,214,356	260,996,484	422,676,610	11.36%
11 Health Resources Division	242,203,018	145,305,808	924,433,545	1,311,942,371	35.27%
12 Medicaid and Health Services Management Program	4,689,794	76,463	12,063,849	16,830,106	0.45%
16 Management and Fair Hearings Program	940,730	71,214	1,356,240	2,368,184	0.06%
22 Senior & Long-term Care Division	127,960,003	59,243,412	333,872,502	521,075,917	14.01%
33 Addictive & Mental Disorders Division	127,899,383	28,136,514	101,119,740	257,155,637	6.91%
Grand Total	$841,009,152	$302,930,823	$2,576,064,524	$3,720,004,499	100.00%

DPHHS is funded by over 190 distinct funding sources and more than half are federal sources. General fund supports 23% of the 2013 biennium budget request, state special revenue provides 8.0 and federal funds are 69 % of total funding. The DPHHS budget request accounts for over 41 % of the total executive HB2 budget request and over 25% of the total general fund request. Individually the top six DPHHS division budgets exceed most state agency budgets.

Most state funding is used as state match or maintenance of effort for programs funded partly with federal funds, including Medicaid, CHIP, some foster care, subsidized adoption, and child care services as well as Temporary Assistance for Needy Families (TANF) and program administrative costs.

State Special Revenue that Spends Like General Fund

There are two sources of state special revenue that can be used to fund many of the same activities as general fund: tobacco tax health and Medicaid initiative revenue and tobacco settlement funds, including trust fund income. The allocation of these funds in the DPHHS budget request is important because they can offset general fund or be used to fund new proposals that otherwise would be funded from the general fund. These revenue sources are summarized and the fund balance of each is provided so that the legislature will know what appropriations are proposed and what revenues are available.

Health and Medicaid Initiatives State Special Revenue

Figure 12 shows the health and Medicaid initiatives fund balance. FY 2010 expenditures and revenues are the base budget year. FY 2011 amounts are based on legislative appropriations. The 2013 biennium expenditures represent the executive budget request and include an elected official new proposal by the State Auditor. Revenues are based on estimates adopted by the Revenue and Transportation Interim Committee in November 2010.

Figure 12

Health and Medicaid Initiatives Fund Balance - 2013 Biennium Budget
Tobacco Tax Revenue Dedicated to Health Initiatives

Fund Balance Revenue/Expenditures	Actual** FY 2010	Approp. FY 2011***	Executive Request FY 2012	Executive Request FY 2013	% of Total
Beginning Fund Balance	$48,563,315	$40,494,985	$26,728,893	$16,594,955	31.8%
Revenue - Cigarette and Tobacco Tax*	37,625,801	36,780,000	36,147,000	35,564,000	68.2%
Total Revenue	86,189,116	77,274,985	62,875,893	52,158,955	100%
Interest Earnings	190,276	193,187	575,314	1,326,402	
Total Funds Available	86,379,392	77,468,173	63,451,207	53,485,358	
Expenditures**					
*Medicaid Services***					
State Plan Services - Hospitals, Physicians, Prescription Drugs, Dental	8,521,089	7,031,298	6,801,327	6,804,702	14.3%
Nursing Home Services	5,480,318	5,480,319	4,037,266	4,037,266	8.5%
Developmental Disability Benefits	3,135,587	3,135,587	2,942,130	2,942,130	6.2%
Mental Health and Chemical Dependency	1,806,336	860,467	2,045,956	2,055,711	4.3%
Children's Mental Health Services	1,961,725	2,176,518	1,741,003	1,741,003	3.6%
Home-based Services	2,007,209	2,002,207	1,857,206	1,857,206	3.9%
Senior/Physically Disabled Waiver	1,837,192	1,987,212	1,837,192	1,837,192	3.8%
MHSP Medicaid Expansion - HIFA Waiver	0	0	1,226,487	1,843,997	3.9%
Adult Mental Health Community Srvs Waiver	907,720	1,669,546	1,028,489	1,035,744	2.2%
Other Programs					
Insure Montana Premium Assistance***	5,746,420	8,358,168	8,375,761	8,374,717	17.5%
Insure Montana Health Ins. Tax Credits***	4,245,779	5,572,112	5,583,840	5,586,144	11.7%
Big Sky Rx/PharmAssist	4,030,104	6,009,747	4,003,825	4,003,825	8.4%
Mental Health Services Plan	2,060,256	3,433,968	2,613,256	2,857,256	6.0%
Healthy Montana Kids/CHIP	3,413,840	3,383,460	3,403,921	3,403,921	7.1%
Insure Montana 95% Restriction/Other Adj.****	646,249	(499,610)	(696,514)	(697,980)	-1.5%
Other Services/Administration	84,583	138,281	55,107	55,134	0.1%
Subtotal Expenditures	45,884,407	50,739,280	46,856,252	47,737,968	100.0%
Annual Change		10.6%	-7.7%	1.9%	
Ending Fund Balance	$40,494,985	$26,728,893	$16,594,955	$5,747,390	

*Revenue based on estimates adopted by Revenue and Transportation Committee on November 19, 2010.

**Actual costs include $4.4 million in expenditures from one-time appropriations not continued in executive request.

***Total appropriated in HB 2 and HB 258 for FY11 is allocated 60% to premium assistance and 40% to tax credits. The 2013 biennium amounts include an elected official proposal to continue the one-time $6.0 million appropriation from HB 258.

****Insure Montana 95% Restriction/Other Adjustments account for the 95% statutory spending restriction from Insure Montana appropriations and accounting adjustments in the base year. The negative entries account for the amount that would be reverted from the full appropriation.

The ending fund balance of the health and Medicaid initiatives account is projected to be a positive $5.7 million at the end of FY 2013. This ending balance includes expenditures based on the executive budget request and a State Auditor elected official proposal to continue $6.0 million in one-time funding to expand Insure Montana (premium assistance and tax subsidies to small employers who provide group coverage for employees) appropriated in HB 258 by the 2009 Legislature. The positive ending fund balance is due in large part to one-time appropriations supporting Medicaid services appropriations in the 2011 biennium that are not continued in the 2013 biennium.

Over half of the health and Medicaid initiatives state special revenue funds Medicaid provider rate increases and some service expansions funded by previous legislatures. In addition to Insure Montana, other programs funded from the account include:

- Big Sky Rx – premium assistance for low-income Medicare beneficiaries to purchase Medicare Part D prescription drug coverage
- PharmAssist – consultations with pharmacists regarding medications
- Mental Health Services Plan (MHSP) – state funded mental health services for low-income adults with a serious and disabling mental illness (will be transferred in the 2013 biennium to fund the state Medicaid match for the MHSP Medicaid expansion)
- Healthy Montana Kids/CHIP – state match for the federal block grant that funds the Children's Health Insurance Program (CHIP)
- Other services/administration – children's special health services and an allocation for shared administrative costs

Use of Tobacco Settlement Proceeds

Tobacco Settlement Revenues

Montana receives revenue as a settling party to a Master Settlement Agreement (MSA) with several tobacco companies. The MSA places no restrictions on how states are to spend the money. However, contained within the settlement are requirements that a state must have enacted and enforced "model statutes" to ensure that the state's payments do not decrease under a clause related to lost market shares. The 1999 Legislature enacted model statutes in SB 359 requiring cigarette manufacturers that did not participate in the tobacco settlement to either:

- Become a participating manufacturer and generally perform its financial obligation under the MSA
- Make similar annual payments into the state's escrow fund

The findings and purpose of the law affirm that financial burdens imposed on the state by cigarette smoking should be borne by tobacco product manufacturers rather than by the state to the extent that such manufacturers either determine to enter into a settlement or are found culpable by the courts.

Further discussion on the revenue estimates for the tobacco settlement funds, the components of the funding, and disputed payments amounts can be found in the LFD revenue estimates at:
http://leg.mt.gov/content/Publications/fiscal/2010-Revenues/RTIC-Estimates/Other-General_Fund_Revenues.pdf

The Montana voters approved:

- Constitutional Amendment 35 in November 2000 requiring not less than 40% of tobacco settlement money to go to a permanent tobacco trust fund
- Initiative 146 (17-6-606, MCA) to allocate 32% of the total tobacco settlement funds to tobacco prevention/cessation programs and 17% to HMK/CHIP and Montana Comprehensive Health Association (MCHA – state funded high risk insurance pool)

Money not appropriated within two years is transferred to the general fund. The remaining 11% of the MSA money is deposited to the general fund. Figure 13 shows revenues, proposed expenditures, and fund balances for these two uses of tobacco settlement funds.

Figure 13

Tobacco Settlement Account - Fund Balance
Master Settlement Agreement Payment Allocations to State Special Revenue Acccounts

Fund Balances, Revenues, Expenditures	FY 2010	FY 2011	FY 2012	FY 2013	% of Biennial Total
32% Allocation to Tobacco Cessation/Prevention					
Beginning Fund Balance	$3,157,838	$1,263,211	($727,332)	($2,637,586)	
Revenues*	10,090,579	10,369,920	10,367,360	10,354,880	
Expenditures					
Department of Revenue	295,135	311,720	307,863	308,603	2.5%
Deparment of Justice	121,793	117,343	125,903	126,058	1.0%
Public Health and Safety Division					
Tobacco Control & Prevention	7,595,274	7,675,649	8,222,069	8,225,274	66.4%
Chronic Disease Programs	2,574,304	2,678,291	2,621,932	2,621,540	21.2%
Home Health Visiting/MIAMI	396,379	366,440	404,545	404,666	3.3%
Tribal Programs	630,000	720,000	0	0	0.0%
Division Administrative Costs	134,388	164,755	132,006	132,357	1.1%
DPHHS Cost Allocated Administration**	229,764	326,265	463,296	657,881	4.5%
Subtotal Expenditur	11,977,037	12,360,463	12,277,614	12,476,379	100.0%
Adjustments	(8,169)	0	0	0	
Percentage of Annual Increase		3.20%	-0.67%	1.62%	
Ending Fund Balance	$1,263,211	($727,332)	($2,637,586)	($4,759,085)	
17% Allocation to CHIP/MT Comprehensive Health Association					
Beginning Fund Balance	($34,696)	($709,416)	($1,717,853)	($2,495,439)	
Revenues*	5,360,600	5,509,020	5,507,660	5,501,030	
Expenditures					
Healthy Montana Kids Benefits	4,555,516	5,312,942	4,555,516	4,555,516	71.1%
Healthy Montana Kids Administration	371,578	0	366,201	366,018	5.7%
MCHA	925,563	925,556	925,563	925,563	14.4%
DPHHS Cost Allocated Administration**	177,681	278,959	437,966	687,606	8.8%
Subtotal Expenditures	6,030,338	6,517,457	6,285,246	6,534,703	100.0%
Adjustments	($4,982)				
Percentage of Annual Increase		8.08%	-3.56%	3.97%	
Ending Fund Balance	($709,416)	($1,717,853)	($2,495,439)	($3,529,112)	

* Revenues as adopted by the Revenue and Transportation Interim Committee on November 19, 2010
** Nonbudgeted expenditures

LFD ISSUE

Tobacco Settlement Funds Are Over Budgeted by $8.2 Million

As shown in Figure 13, both the tobacco settlement fund accounts are over budgeted in the executive budget:

- Tobacco cessation/prevention account – ($4,759,085)
- CHIP/MT Comprehensive Health Association (MCHA) – ($3,529,112)

The over allocation are due to:

- Requests exceeding revenues in FY 2011, FY 2012, and FY 2013
- Over spending of the CHIP/MHCA account by $709,416 in FY 2010

Tobacco cessation/prevention funds support tobacco cessation and prevention programs and chronic disease programs in the Public Health and Safety Division. CHIP/MCHA funds support the:

- Healthy Montana Kids (HMK) program in the Health Resource Division. The funds are used as state matching funds to draw down federal CHIP funds
- MCHA program in the State Auditor's Office (SAO). The funds are used to provide premium assistance to individuals insured through the high-risk insurance pool due to preexisting medical conditions such as cancer or multiple sclerosis

OBPP and DPHHS identified the revenue shortage in FY 2010 and worked to reduce expenditures. However, between the expenditures already incurred by DPHHS and the SAO the account was overspent by $0.7 million in FY 2010. Generally expenditures from a state special revenue account cannot exceed revenue. An agency can obtain a general fund loan to offset the overdraft as long as the agency has revenues in subsequent years that can be used to repay the general fund loan. DPPHS received a general fund loan for the CHIP/MHCA account in FY 2010.

One of the options for the department is to make reductions in the programs supported by these funds or to other programs, thereby freeing up funding to support the tobacco cessation and prevention, chronic disease, HMK, and MCHA services. The budgetary risk for the legislature associated with FY 2011 is that DPHHS may request additional general fund loans to offset the decreased revenues thereby overspending the state special revenue accounts by a total of $2.4 million.

As part of the budgeting process, OBPP requires agencies to comment on any funds that appear to be over budgeted in FY 2011. The process used by OBPP did not identify the tobacco settlement accounts as OBPP estimates for tobacco settlement funds in FY 2011, FY 2012, and FY 2013 are substantially higher than those adopted by the Revenue and Transportation Interim Committee (RTIC) on November 19, 2010. In the CHIP/MCHA account, the shortfall in FY 2010 should be considered as part of the total spending reductions that will need to occur or other sources of funding found to pay for for these functions. The CHIP/MCHA account funding is appropriated by two subcommittees:

- Joint Appropriation Subcommittee on General Government
- Joint Appropriation Subcommittee (subcommittee) on DPHHS

Option: The subcommittee can:

- Request Public Health and Safety Division present a plan to address spending reductions or the use of other funds in FY 2011 through FY 2013 that will offset $4.8 million in over allocation of the tobacco cessation/prevention account. The plan could then be adopted by the subcommittee to ensure revenues match expenditures for the 2013 biennium
- Request Health Resources Division present a plan to address spending reductions in FY 2011, FY 2012, and FY 2013 that will offset $3.5 million in over allocation of the CHIP/MCHA account by coordinating with SAO. The plan could then be adopted by the subcommittee to ensure revenues match expenditures for the 2013 biennium and the overspending that occurred in FY 2010 is addressed
- Reduce funding to each division and allow the divisions to allocate the reductions as needed
- Request a meeting with the Joint Appropriation Subcommittee on General Government to address the over appropriation of the CHIP/MCHA account as it relates to DPHHS and SAO

Tobacco Trust Fund Interest

The Montana Constitution stipulates interest earnings from the tobacco trust fund are to be distributed:

- 90% for appropriation by the legislature for disease prevention programs and state programs providing benefits, services, or coverage related to the health care needs of the people of Montana
- 10% to the tobacco trust

Figure 14 shows the revenues, proposed expenditures, and fund balance for the tobacco trust fund interest over the 2013 biennium. Expenditures from the account exceed revenues, leaving a deficit in each year of the 2013 biennium.

Figure 14

Tobacco Settlement Trust Fund Interest - Fund Balance

Fund Balances, Revenues, Expenditures	FY 2010	FY 2011	FY 2012	FY 2013	Percentage of 2013 Biennium
Beginning Fund Balance	($1,806)	$16,287	($902,558)	($1,224,839)	
Revenues*	5,038,781	5,267,700	5,787,000	6,325,200	
Expenditures					
Public Health and Safety Division					
DPHHS Cost Allocation**	7,124	427	10,686	16,029	0.22%
Adolescent Vaccinations	400,000	400,000	400,000	400,000	6.54%
Children's Special Health Services	289,239	289,125	284,612	284,708	4.65%
Montana Health Professional Recruitment	75,000	75,000	75,000	75,000	1.23%
Women's and Men's Health	9,732	30,000	9,729	9,732	0.16%
Emergency Medical Services	122,288	125,000	121,951	122,288	2.00%
HIV Treatment	84,000	84,000	84,000	84,000	1.37%
Public Health and Safety Division Subtotal	987,383	1,003,552	985,978	991,757	16.17%
Disability Services Division					
Children's Mental Health Services	233,552	233,552	233,552	233,552	3.82%
DD Part C, Title XX and MOE	600,000	600,000	600,000	600,000	9.81%
Disability Division Subtotal	833,552	833,552	833,552	833,552	13.63%
Health Resources Division					
Hospital & Clinical Services Bureau	543,647	543,647	543,647	543,647	8.89%
Pharmacy Caseload Increases	0	0	791,154	801,684	13.02%
Medicaid Administration	0	0	295,984	295,682	4.84%
Acute Services Bureau	1,245,757	1,580,175	1,245,757	1,245,757	20.36%
Dental Access	495,759	495,759	495,759	495,759	8.10%
Health Resources Division Subtotal	2,285,163	2,619,581	3,372,301	3,382,529	55.21%
Senior and Long-term Care Division					
Nursing Homes	831,850	831,850	831,850	831,850	13.60%
Healthcare for Healthcare Workers	0	796,361	0	0	0.00%
Senior and Long-term Care Division Subtotal	831,850	1,628,211	831,850	831,850	13.60%
Addictive and Mental Disorders Division					
Mental Health Medicaid Benefits	27,659	27,659	27,659	27,659	0.45%
Mental Health Other Services	0	18,962	0	0	0.00%
Mental Health Administration	58,065	55,028	57,941	57,923	0.95%
Addictive and Mental Disorders Division Subtotal	85,724	101,649	85,600	85,582	1.40%
Subtotal Expenditures	5,023,672	6,186,545	6,109,281	6,125,270	100.00%
Adjustments	2,984	0	0	0	
Ending Fund Balance	$16,287	($902,558)	($1,224,839)	($1,024,909)	

*90% of the trust interest may be appropriated and 10% is deposited to the trust corpus, adopted November 19, 2010 by the Revenue and Transportation Interim Committee

** Nonbudgeted Expenditures

LFD ISSUE

Tobacco Settlement Trust Fund Interest Account Over Budgeted by $1.0 million

As shown in Figure 14, the fund balance at the end of FY 2013 is over budgeted by $1.0 million. The over allocation is due to allocations exceeding revenues in FY 2011, FY 2012, and FY 2013. The majority of the over allocation occurs in FY 2011.

As stated in the issue above, as part of the budgeting process OBPP requires agencies to comment on any funds that appear to be over budgeted in FY 2011. The process used by OBPP did not identify the tobacco settlement trust fund interest account as OBPP estimates for tobacco settlement trust fund interest in FY 2011 are higher than those adopted by the Revenue and Transportation Interim Committee (RTIC) on November 19, 2010.

As shown in Figure 14 the tobacco settlement trust fund interest supports costs in five divisions in DPHHS including:

- Health Resources Division – 53% of funding
- Public Health and Safety Division – 17% of funding
- Disability Services Division – 14% of funding
- Senior and Long Term Care Division – 14% of funding
- Addictive and Mental Disorders Division – 2% of funding

In FY 2010, appropriations also exceeded expenditures. DPPHS reduced spending for the acute services bureau in the Health Resources Division by $334,418 to ensure a positive fund balance at the end of the fiscal year. While the legislature does have a budgetary risk that the agency may over spend the account, the agency has reduced spending in the Health Resources Division over the last two biennia as part of an effort to match revenues and expenditures.

Option: The subcommittee can:

- Request that DPHHS present a plan to address spending reductions or identify another source of funds that could be used in FY 2011, FY 2012, and FY 2013 that would offset $1.0 million in over allocated of the tobacco settlement trust fund interest account. The plan could then be adopted by the subcommittee to ensure revenues match expenditures for the 2013 biennium
- Reduce allocations to each division and allow the divisions to allocate the reductions as needed
- Reduce allocations for the Health Resources Division, Acute Service Bureau by $322,281 in FY 2012

Statutory Appropriations

The following table shows the total statutory appropriations associated with this agency. Because statutory appropriations do not require reauthorization each biennium, they do not appear in HB 2 and are not routinely examined by the legislature. The table is provided so that the legislature can get a more complete picture of agency operations and associated policy.

As appropriate, LFD staff has segregated the statutory appropriations into two general categories: 1) those where the agency primarily acts in an administrative capacity and the appropriations consequently do not relate directly to agency operations; and 2) those that have a more direct bearing on the mission and operations of the agency.

Statutory Appropriations Department of Public Health and Human Services					
Purpose	MCA #	Fund Source	FY 2010	FY 2012	FY 2013
Grants to State Approved Additonal Program					
Addictive and Mental Disorders Division					
Alcohol taxes allocated to DPHHS	53-24-108	SSR			
20% of proceeds to grants to state approved community addiction programs			1,324,311	1,548,800	1,608,400
6.6% of proceeds to state approved community programs that serve persons with alcoholism and a mental illness			422,456	511,104	530,772
Assisting Adoption Services					
Child and Family Services Division	42-2-105	SSR	100,181	100,181	100,181
Debt Service					
Addictive and Mental Disorders Division					
Debt service for bonds for Montana State Hospital*	17-7-502	SSR	1,691,252	1,909,393	1,908,085
Disability Services Division					
Debt service for bonds for Montana Developmental Center*	17-3-502	SSR	988,889	1,013,533	1,014,218
* 2013 biennial payments as adopted by the Revenue and Transportation Interim Committee, November 19, 2010					

Two of the statutory appropriations pay debt service for bonds that funded construction of the Montana State Hospital and the Alternative Safety Unit at the Montana Developmental Center. The state special revenue supporting debt service are payments for facility services from Medicare, private insurance, Indian Health Services, Medicaid, insurance, and private payments. Revenues in excess of the debt service are deposited to the general fund.

Two other statutory appropriations relate to Addictive and Mental Disorders Division (AMDD) services. The appropriations are from the alcohol tax state special revenue allocated to DPHHS. The appropriations fund grants to state approved alcoholism programs. These appropriations are discussed in more detail in the division funding section.

One statutory appropriation provides for adoption services in the Child and Family Services Division. Fees for the division's cost of completing or contracting for adoption services are deposited into the statutorily appropriated state special revenue account.

Reorganizations

Over the course of FY 2010, DPHHS reorganized establishing branches to oversee groups of division programs, adding programs, and shifting FTE, expenditures and related appropriation authority. The FTE, costs, and funding shifts by division are presented in Figure 15.

Figure 15

Department of Public Health and Human Services
FTE and Appropriation Shifts Between Programs

	DO	Economic Security Service Branch						Operations Services Branch				Medicaid and Health Services Division				
		PHSD	MDT	DTP	HCSD	CSED	CFSD	MFH	BFSD	QAD	TSD	MHSM	DSD	HRD	SLTC	AMDD
FY2010																
FTE	(11.00)	12.50	1.00	144.00	(1.00)	0.00	0.00	13.00	(12.50)	(6.00)	0.00	5.00	(128.00)	(17.00)	0.00	0.00
Personal Services	($717,779)	$548,104	$139,084	$7,734,422	($63,766)	($23,308)	($52,010)	$936,885	($583,305)	($450,389)	($26,274)	$485,929	($6,851,310)	($995,080)	($21,001)	($60,202)
Operating Expenses	(6,808,013)	247,667	0	5,129,575	0	0	0	102,993	(247,667)	(46,663)	0	6,820,207	(3,282,205)	(1,915,894)	0	0
Equipment & Intangible Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grants	0	0	0	0	0	0	0	0	0	0	0	0	645,569	(645,569)	0	0
Benefits & Claims	0	0	0	12,298,562	0	0	0	0	0	0	0	0	45,287,869	(57,586,431)	0	0
Debt Service	(2,855)	7,350	0	0	0	0	0	2,855	(7,350)	0	0	0	0	0	0	0
Total Costs	($7,528,647)	$803,121	$139,084	$25,162,559	($63,766)	($23,308)	($52,010)	$1,042,733	($838,322)	($497,052)	($26,274)	$7,306,136	$35,799,923	($61,142,974)	($21,001)	($60,202)
General Fund	($2,095,112)	$383,384	$50,446	$5,710,900	($23,128)	($8,454)	($18,864)	$409,435	($396,958)	($171,456)	($10,131)	$2,038,883	$7,038,616	($12,876,977)	($7,910)	($22,674)
State Special Revenue	(21,396)	419,737	9,866	1,780,637	(7,225)	(2,641)	0	23,532	(421,553)	(3,663)	(1,356)	27,685	493,557	(2,279,184)	(4,654)	(13,342)
Federal Special Revenue	(5,412,139)	0	78,772	17,671,022	(33,413)	(12,213)	(33,146)	609,766	(19,811)	(321,933)	(14,787)	5,239,568	28,267,750	(45,986,813)	(8,437)	(24,186)
Total Funds	($7,528,647)	$803,121	$139,084	$25,162,559	($63,766)	($23,308)	($52,010)	$1,042,733	($838,322)	($497,052)	($26,274)	$7,306,136	$35,799,923	($61,142,974)	($21,001)	($60,202)
FY2011																
FTE	(11.00)	12.50	1.00	144.00	(1.00)	0.00	0.00	13.00	(12.50)	(6.00)	0.00	5.00	(128.00)	(17.00)	0.00	0.00
Personal Services	($723,754)	$553,262	$139,725	$7,979,929	($64,060)	($23,415)	($52,250)	$943,540	($588,649)	($450,852)	($26,413)	$432,582	($7,085,238)	($952,828)	($21,099)	($60,480)
Operating Expenses	(6,808,016)	248,216	0	5,238,175	0	0	0	102,996	(248,216)	(46,663)	0	6,751,683	(3,390,365)	(1,847,810)	0	
Equipment & Intangible Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Grants	0	0	0	0	0	0	0	0	0	0	0	0	645,569	(645,569)	0	
Benefits & Claims	0	0	0	12,362,604	0	0	0	0	0	0	0	0	51,862,073	(64,224,677)	0	
Debt Service	(2,855)	7,350	0	0	0	0	0	2,855	(7,350)	0	0	0	0	0	0	
Total Costs	($7,534,625)	$808,828	$139,725	$25,580,708	($64,060)	($23,415)	($52,250)	$1,049,391	($844,215)	($497,515)	($26,413)	$7,184,265	$42,032,039	($67,670,884)	($21,099)	($60,480)
General Fund	($2,097,742)	$386,129	$50,679	$5,862,120	($23,235)	($8,493)	($18,951)	$412,328	($399,774)	($171,626)	($10,185)	$1,933,491	$12,747,272	($18,631,287)	($7,947)	($22,779)
State Special Revenue	(21,599)	422,699	9,911	1,782,936	(7,258)	(2,653)	0	23,768	(424,525)	(3,679)	(1,363)	25,079	398,322	(2,183,558)	(4,676)	(13,404)
Federal Special Revenue	(5,415,284)	0	79,135	17,935,652	(33,567)	(12,269)	(33,299)	613,295	(19,916)	(322,210)	(14,865)	5,225,695	28,886,445	(46,856,039)	(8,476)	(24,297)
Total Funds	($7,534,625)	$808,828	$139,725	$25,580,708	($64,060)	($23,415)	($52,250)	$1,049,391	($844,215)	($497,515)	($26,413)	$7,184,265	$42,032,039	($67,670,884)	($21,099)	($60,480)

As shown, the most significant shift in FTE was due to the creation of the Disability Transition Program within the Economic Security Branch, offset by a corresponding reduction in the Disability Services Division FTE. Health Resources Division costs and related funding show the most significant decrease due, in large part, to moving children's mental health services to the Disability Services Division. Specific effects of the reorganization are discussed in each division budget request.

Language

Language is included in the program narratives.

Executive Recommended Legislation

The executive has requested the following legislation:

HB 34 - An act separating into two accounts the tobacco settlement fund earmarked to CHIP and MCHA Amend DPHHS administrative rule reducing Medicaid physician reimbursement rates – This bill would amend the statutory allocation of tobacco settlement proceeds separating the 17% allocated to CHIP and MCHA with 14.6% allocated to CHIP and 2.4% allocated to MCHA.

HB 115 - Revise Medicaid eligibility criteria to implement federal health care reform

SB 37 - An act repealing the statutory formula for reimbursement rates for physicians providing services covered under the Medicaid program – This bill would repeal the statutory requirement to increase Medicaid physician rates by a certain amount based on several variables related to information provided by private insurance companies.

Legislative Interim Committee Work Related to DPHHS Programs

Legislative Finance Committee Subcommittee on the Reference Book Options for DPHHS

Due to concerns with the projected long-term imbalance between on-going revenues and on-going costs of maintaining current services, the LFC asked LFD staff to begin compiling options for consideration by the 2011 Legislature. These options are listed in the Reference Book and can be found at:
http://leg.mt.gov/content/Publications/fiscal/Legislative-Options/July-2010/CFHHS.pdf

The reference book contains a:
- Number of options, both for reduced expenditures and enhanced revenues
- List of what other states were doing to address budget imbalances
- List of tax credits currently offered by the State of Montana
- List of general fund revenues currently earmarked to specific purposes

In addition, the LFC formed a subcommittee to review reference book options for DPHHS consisting of 4 LFC members and 4 interim committee members from the Children, Families, Health and Human Services Interim Committee. The subcommittee held two meetings to solicit:
- Legislative feedback on the prioritization of the options
- Legislative ideas beyond those currently included in the reference book
- Public comment on the options included in the reference book

Children, Families, Health and Human Services Interim Committee (committee)
The committee conducted two interim studies as approved by the 2009 Legislature. The studies and the links to the committee information include:
- SJR 35 Health Care found at:
  http://leg.mt.gov/css/Committees/interim/2009_2010/Children_Family/Assigned_Studies/sjr35_study.asp

- HJR 39 Community Services for People with Developmental Disabilities and Co-occurring Mental Illness found at:
  http://leg.mt.gov/css/Committees/interim/2009_2010/Children_Family/Assigned_Studies/hjr39_study.asp

The committee also decided to take up, as an emerging issue, topics related to the Montana Medical Marijuana Act. The committee made the decision because of the questions raised by many people in the state and local government, law enforcement, and the medical marijuana industry. Information about the activities related to this topic can be found at http://leg.mt.gov/css/Committees/interim/2009_2010/Children_Family/Emerging-Issue/default.asp

During its last meeting in August 2010, the committee discussed the overall state budget situation and the potential effects on DPHHS. The members agreed that a simple approach of across-the-board cuts would not be the best approach for DPHHS, as this approach could end up causing more harm to more people than targeted program reductions. The committee voted unanimously to request that DPHHS provide the following information to the House Appropriations Committee at the start of the 2011 legislative session:

- Name and mission of each individual program DPHHS operates within each of its division
- Annual budget for each program, including the amount or percent of the program budget that comes from the general fund, federal funds, or state special revenue funds
- Number of people the program serves
- Number of full-time equivalent employees for the program
- Brief statement describing the effectiveness of the program and alternative methods of providing the program if cuts must be made. This statement could include items such as performance measures for federal grants or a state plan or agency strategic plans

Discussion of the interim studies and emerging issues and the relationship to budgetary decisions on DPHHS are contained in the program narratives.

Legislative Interim Committee Legislation

The following bills were requested by the committee. Some of the bills were approved at the request of DPHHS.

HB 35 – An act to amend DPHHS administrative rule reducing Medicaid physician reimbursement rates – DPHHS implemented an administrative rule to withhold statutorily required adjustments to Medicaid payment rates for physician services in FY 2011. This bill would require DPHHS to amend its rule and establish rates at the statutorily required rate for FY 2011.

HB 43 – An act clarifying employer's rights related to employee use of medical marijuana.

SB 28 – An act clarifying that mental health diversion grant awards are based on admissions to Montana State Hospital.

HB 68 - Revise Medical Marijuana Act and create regulatory structure for industry.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	213,499,708	213,499,708	426,999,416	65.37%	1,033,486,810	1,033,486,810	2,066,973,620	81.71%
Statewide PL Adjustments	71,036,793	71,063,260	142,100,053	21.75%	598,268	644,594	1,242,862	0.05%
Other PL Adjustments	48,792,515	40,121,143	88,913,658	13.61%	204,642,951	245,831,477	450,474,428	17.81%
New Proposals	(2,487,667)	(2,307,492)	(4,795,159)	(0.73%)	4,988,154	6,001,577	10,989,731	0.43%
Total Budget	**$330,841,349**	**$322,376,619**	**$653,217,968**		**$1,243,716,183**	**$1,285,964,458**	**$2,529,680,641**	

Federal Poverty Levels

Figure 16 shows the federal poverty level (FPL) for calendar year 2010. Federal guidelines are updated annually, usually in late February or early March. Figure 16 calculates annual and monthly income by family size for various poverty levels that tie to programs administered by DPHHS. For instance, 33% of the FPL is the countable income limit for Medicaid eligibility for low-income adults with dependent children. Countable income for a four person family would need to be below $7,277 in order for the parents to be Medicaid eligible.

Figure 16

2010 Federal Poverty Index*
Levels of Poverty by Family Size

Family Size	<------------------Annual Income at Various 2010 Poverty Levels and Family Size------------------>										
	33%	40%	100%	133%	150%	175%	200%	250%	300%	350%	400%
1	$3,574	$4,332	$10,830	$14,404	$16,245	$18,953	$21,660	$27,075	$32,490	$37,905	$43,320
2	4,808	5,828	14,570	19,378	21,855	25,498	29,140	36,425	43,710	50,995	58,280
3	6,042	7,324	18,310	24,352	27,465	32,043	36,620	45,775	54,930	64,085	73,240
4	7,277	8,820	22,050	29,327	33,075	38,588	44,100	55,125	66,150	77,175	88,200
5	8,511	10,316	25,790	34,301	38,685	45,133	51,580	64,475	77,370	90,265	103,160
6	9,745	11,812	29,530	39,275	44,295	51,678	59,060	73,825	88,590	103,355	118,120
7	10,979	13,308	33,270	44,249	49,905	58,223	66,540	83,175	99,810	116,445	133,080
8	12,213	14,804	37,010	49,223	55,515	64,768	74,020	92,525	111,030	129,535	148,040
Each Additional Person	$1,234	$1,496	$3,740	$4,974	$5,610	$6,545	$7,480	$9,350	$11,220	$13,090	$14,960

Family Size	<------------------Monthly Income at Various 2010 Poverty Levels and Family Size------------------>										
	33%	40%	100%	133%	150%	175%	200%	250%	300%	350%	400%
1	$298	$361	$903	$1,200	$1,354	$1,579	$1,805	$2,256	$2,708	$3,159	$3,610
2	401	486	1,214	1,615	1,821	2,125	2,428	3,035	3,643	4,250	4,857
3	504	610	1,526	2,029	2,289	2,670	3,052	3,815	4,578	5,340	6,103
4	606	735	1,838	2,444	2,756	3,216	3,675	4,594	5,513	6,431	7,350
5	709	860	2,149	2,858	3,224	3,761	4,298	5,373	6,448	7,522	8,597
6	812	984	2,461	3,273	3,691	4,306	4,922	6,152	7,383	8,613	9,843
7	915	1,109	2,773	3,687	4,159	4,852	5,545	6,931	8,318	9,704	11,090
8	1,018	1,234	3,084	4,102	4,626	5,397	6,168	7,710	9,253	10,795	12,337

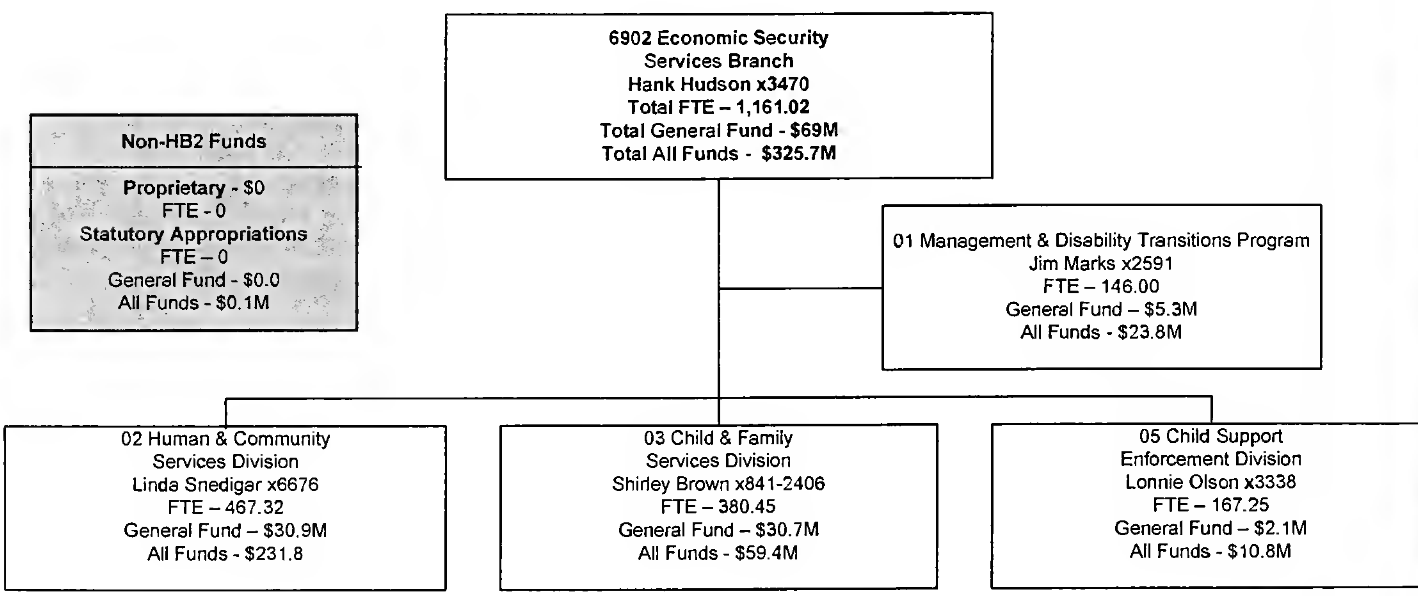
The 2010 federal poverty guidelines remain unchanged from 2009 because there was little change in inflation.

Branch Budget Comparison

The following table summarizes the total executive budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	1,161.02	1,161.02	1,152.72	1,152.72	1,161.02	1,152.72	(8.30)	(0.71%)
Personal Services	57,157,124	59,733,384	59,530,601	59,515,092	116,890,508	119,045,693	2,155,185	1.84%
Operating Expenses	17,788,237	19,821,730	21,471,402	21,829,199	37,609,967	43,300,601	5,690,634	15.13%
Equipment & Intangible Assets	94,840	111,377	101,840	101,840	206,217	203,680	(2,537)	(1.23%)
Grants	26,380,918	28,189,262	29,810,957	28,798,074	54,570,180	58,609,031	4,038,851	7.40%
Benefits & Claims	224,134,404	238,109,035	354,057,716	398,412,974	462,243,439	752,470,690	290,227,251	62.79%
Debt Service	189,926	177,364	189,926	189,926	367,290	379,852	12,562	3.42%
Total Costs	**$325,745,449**	**$346,142,152**	**$465,162,442**	**$508,847,105**	**$671,887,601**	**$974,009,547**	**$302,121,946**	**44.97%**
General Fund	69,002,422	75,171,198	72,633,319	74,300,242	144,173,620	146,933,561	2,759,941	1.91%
State Special	6,520,447	7,487,049	8,280,064	8,275,571	14,007,496	16,555,635	2,548,139	18.19%
Federal Special	250,222,580	263,483,905	384,249,059	426,271,292	513,706,485	810,520,351	296,813,866	57.78%
Total Funds	**$325,745,449**	**$346,142,152**	**$465,162,442**	**$508,847,105**	**$671,887,601**	**$974,009,547**	**$302,121,946**	**44.97%**

The following is the agency organizational chart, with contact information. The chart has been modified by the LFD to include the FY 2010 base budget FTE, general fund, and total funds for each program. As applicable, total agency proprietary funds and statutory appropriations, along with associated FTE, are also shown.



ranch Description

he Economic Security Services branch delivers a broad range of social and public health services to communities in Iontana through the combined efforts of the:

- o Child and Family Services Division (CFSD)
- o Child Support Enforcement Division (CSED)
- o Disability Transitions Program (DTP)
- o Human and Community Services Division (HCSD)

ranch Highlights

Economic Security Services Branch Major Budget Highlights
♦ The Economic Security Branch budget is \$302 million higher than the 2011 biennium budget, with \$2.8 million of the increase in general fund ♦ The Governor proposes reductions of 8.30 FTE and about \$3.3 million general fund over the biennium and an increase of 5.00 FTE at \$476,000 in HCSD ♦ The \$290 million increase in benefits is primarily due to federal fund increases over the biennium of about: • \$250 million for SNAP (Food Stamps) • \$25 million for LIEAP and weatherization • \$15 million for TANF benefits, economic security and employment programs

ranch Discussion

nefits and Grants

s reflected in the introductory budget comparison table, about 70.2% percent of branch funding supports benefits and ants. At \$752 million total funds over the biennium, the major sources of benefit funding include:

- o \$474 million in the federally funded SNAP benefit program
- o Over \$70 million each in child care services and nutritional support as well as the federally funded energy assistance and weatherization assistance
- o \$62.7 million for foster care and subsidized adoption
- o About \$51 million for TANF assistance
- o \$24.4 million for vocational rehabilitation and independent living services

ant funding of \$58.6 million total funds over the biennium provides:

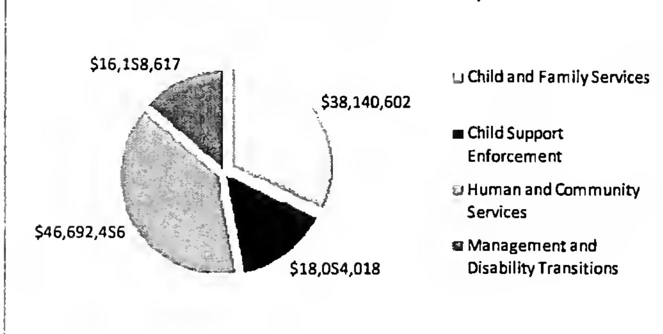
- o About \$25 million in support of TANF employment and training services throughout the state
- o About \$12.8 million for child care services and nutritional support and another \$12.6 million in support of child protective services, in-home reunification and family safety
- o \$5.7 million for weatherization and commodities assistance throughout the state
- o About \$2.5 million in SNAP educational activities

r the most part grants are federally funded, but there is about \$17 million general fund for the required TANF intenance of effort (MOE) over the biennium.

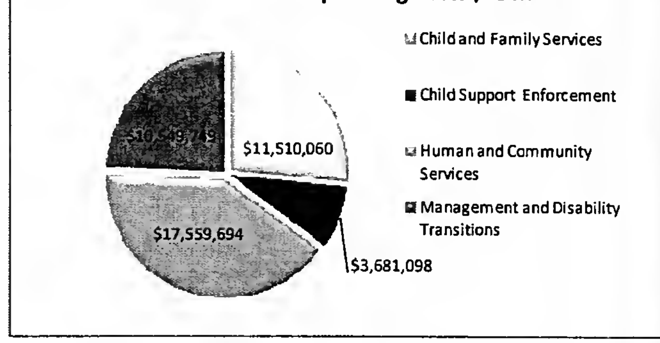
ere are detailed lists of the benefits and grants in the division write ups.

Personal Services and Operations

The following charts show the branch expenditures by division for personal services and operations.



2013 Biennium Personal Services $119 M



2013 Biennium Operating Costs $43 M

Personal services costs for the branch total $119 million for the biennium for 1,152.72 FTE. The HCSD with 472.32 FTE, most of which (434.32 FTE) work in public assistance offices throughout the state, accounts for the largest share of the biennium total at $46.7 million. CFSD has 369.65 FTE with total expenditures of $38.1 million. The majority of staff provides child protective services to children and families throughout the state. CSED has 164.75 FTE and $18.0 million in total costs reflecting child support collection services throughout the state. DTP has 146.00 FTE and $16.2 million in costs over the biennium to provide statewide vocational rehabilitation and independent living services to individuals seeking to obtain and maintain jobs and live independently and for the federally funded 45.00 FTE in disability determination services. The 5% Reduction Plan would remove 2.50 FTE from CSED and 10.80 FTE from CFSD. HCSD requests 5.00 FTE for Healthy Montana Kids eligibility.

Operating costs for HCSD are the highest in the branch at $17.6 million over the biennium primarily reflecting operations of the offices of public assistance throughout the state and support associated with the TANF and SNAP programs. CFSD and DTP have operating costs of $11.5 and $10.5 million, respectively, which also reflects regional offices with multiple program support of families and individuals throughout the state. CSED spends about $3.7 million on operations reflecting staff focus on child support collection through offices in Butte, Billings, Great Falls and Missoula and some travel.

Goals and Objectives

2013 Biennium Goal

The Legislative Finance Committee recommends the legislature consider the following critical goal and performance measurement(s) as part of its decisions on the executive's budget requests for this program.

The Economic Security Branch could be impacted by the overarching critical goals that LFD staff, the agency, and the Joint Appropriations Subcommittee for Health and Human Services will follow through budget cycle. They are:

- Implement components of federal health insurance reform
    - Integrate Medicaid eligibility determination in the health insurance exchange design
    - Evaluate the potential for a single system to determine Medicaid eligibility
    - Estimate the cost of Medicaid eligibility expansion for consideration by the 2013 Legislature
- Continue to monitor implementation of Healthy Montana Kids
- Review impact of economy on workload and programs
- Study the effect of broad based budget reductions such as the proposed 4% FTE/personal services reductions

The entire branch could be impacted by these critical goals at some level because of the branch's efforts to support eligibility for public assistance and Medicaid; vocational rehabilitation and independent living; public assistance such as

:e TANF, SNAP, LIEAP and weatherization programs; child support enforcement; as well as foster care and subsidized loption.

is anticipated that the branch will brief the Joint Appropriations Subcommittee for Health and Human Services on the)als and impacts on its programs during the budget discussion in the 2011 session. There is additional discussion in the vision write ups and the agency overview.

% Reduction Plan

atute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The gency submitted a 5% general fund reduction over the biennium of about $1.8 million in personal services and 13.30 TE, $1.3 million for restructuring child care Resource and Referral programs, and $0.2 million in operations.

iroughout the Economic Security Branch, the 5% Reduction Plan is discussed in two parts:

- o Reductions contained in the Governor's budget
- o Reductions submitted by the branch and divisions that are not in the Governor's budget but that will be presented for legislative consideration during budget discussions.

PHHS viewed the target reductions on a whole agency basis, taking general fund reductions from all divisions, but state ecial revenue only from the Health Resources and Addictive and Mental Disorders Divisions. The Economic Security ranch has no state special revenue reduction in the branch 5% Reduction Plan that is part of the Governor's budget.

ranch reductions of nearly $3.3 million general fund over the biennium are included in the Governor's budget. The anch divisions also submitted reductions of nearly $2.7 million as part of the 5% reduction plan that were not included the Governor's budget.

ie Legislative Finance Committee has recommended that the legislature adopt all elements of the 5% reduction plan as rt of its initial establishment of the budget base.

ie figure on the following page shows the total $6 million general fund reduction by division.

)ncern

ie requests submitted in the Governor's budget reflect changes to general fund, state special revenue, and federal funds well as any related funding switches. This provides the legislature a complete picture of the reduction. That funding formation is not provided for submissions not included in the Governor's budget. Consequentially, the legislature does t have a complete picture of the impact of the general fund reductions or an efficient means to understand the entire pact or risks of a reduction on the division, program, or clients served by the program. Additionally, some reductions in : branch are funded by the formula-driven cost allocation process, which means that a general fund reduction would ely have a correlating state special and/or federal fund reduction, which is not reflected in the submissions that are not the Governor's budget. The legislature may wish to recommend that the divisions bring the potential state special and leral revenue reductions to the discussion of their budget during session.

Economic Security Branch 5% Reduction Plan Included and Not Included in the Executive Budget 2013 Biennium					
	FTE	General Fund	% Of Branch Total	State Special Revenue	% Of Branch Total
Disability Transitions and Management					
Included in Executive Budget					
55401 4% Personal Services Reduction		$131,944	2.2%		
55140 Optimize Federal Funding		86,400	1.4%		
Subtotal Included in Executive Budget		$218,344	3.6%		
Not Included in Executive Budget					
95011 Program Efficiencies		$10,600	0.2%		
95012 Reduce Extended Employment		25,690	0.4%		
Subtotal Not Included in Executive Budget		$36,290	0.6%		
Total Disability Transitions and Management		$254,634	4.2%		
Human and Community Services					
Included in Executive Budget					
55402 4% GF FTE Reductions HMK SSR switch		$978,254	16.2%		
55141 Public Assistance Op. Efficiencies		85,966	1.4%		
55143 Eliminate MT R&R Network Contract		150,000	2.5%		
55144 Centralize Child Care Referrals		300,000	5.0%		
55145 R & R Agency Reorganization		300,000	5.0%		
55146 Dual Eligibility for CC & SNAP		400,000	6.6%		
55147 Eliminate Consumer Ed. Contract		100,000	1.7%		
55142 Operations Efficiencies		49,090	0.8%		
Subtotal Included in Executive Budget		$2,363,310	39.2%		
Not Included in Executive Budget					
95021 Reduce TANF MOE Expenditures		$715,692	11.9%		
Total Human and Community Services		$3,079,002	51.1%		
Child and Family Services Division					
Included in Executive Budget					
55403 4% Personal Services Reduction	10.80	$644,878	10.7%		
Not Included in Executive Budget					
950301 Eliminate Big Brothers and Big Sisters Funding		$180,012	3.0%		
950302 Reduce Subsidized Adoption Medical Subsidy by 25%		30,920	0.5%		
950303 Reduce Operating Expenses by 2%		124,688	2.1%		
950304 Reduce/Eliminate Foster Care Benefits		1,077,990	17.9%		
950305 Reduce in Home and Reunification Services by 20%		531,966	8.8%		
Subtotal Not Included in Executive Budget		$1,945,576	32.3%		
Total Child and Family Services		$2,590,454	43.0%		
Child Support Enforcement					
Included in Executive Budget					
55405 4% FTE Reduction	2.50	$98,128	1.6%		
Total Child Support Enforcement		$98,128	1.6%		
Total Branch Reduction Plan					
Included In Executive Budget		$3,324,660	55.2%		
Not Included in Executive Budget		$2,697,558	44.8%		
Total Branch Reduction Plan	13.30	$6,022,218	100.0%		

unding

he following table summarizes funding for the branch, by program and source, as recommended by the Governor. unding for each program is discussed in detail in the individual program narratives that follow.

Total Branch Funding
2013 Biennium Budget

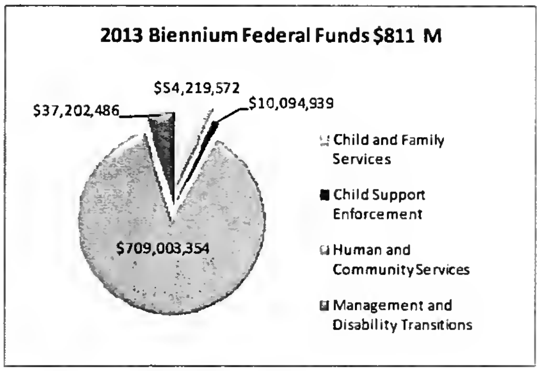
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
01 Management And Disability Tranisitions	$ 10,815,493	$ 3,208,720	$ 37,202,486	$ 51,226,699	5.26%
02 Human And Community Services	61,871,752	4,771,622	709,003,354	775,646,728	79.63%
03 Child & Family Services	66,072,560	4,990,844	54,219,572	125,282,976	12.86%
05 Child Support Enforcement	8,173,756	3,584,449	10,094,939	21,853,144	2.24%
Grand Total	$ 146,933,561	$ 16,555,635	$ 810,520,351	$ 974,009,547	100.00%

unding by Division

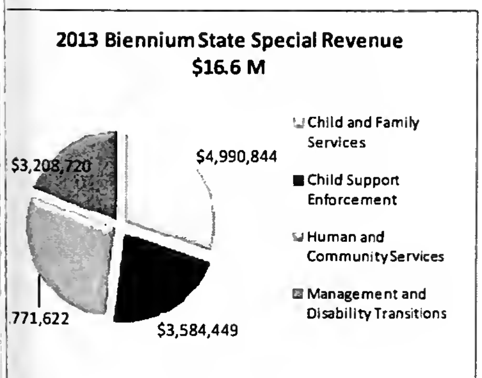
otal funding for the branch over the biennium is $974 million funded with 15.1% general fund, 1.7% state special :venue, and about 83.2% federal funds. The following discussion and figures show the use of general fund and federal ınds by division.

unding by Division

he branch receives general fund, state special revenue, and federal funds directly through legislative appropriation or via complicated, federally approved cost allocation formula that is generally referred to as indirect activity, and in this :anch is often determined by random moment in time studies that reflect the length of time staff spends on a service. The direct activity funding formula is derived from those funds expended on functions serving programs throughout the :partment.

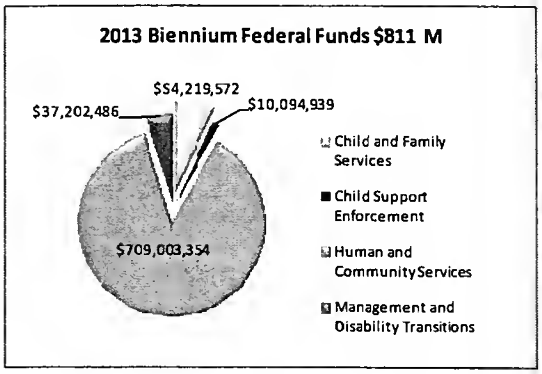


eneral fund for the branch is primarily used as match for federal funds. s shown in the chart, CFSD spends the most of the branch's general fund ' $147 million general fund at $66 million for the biennium in support of :nefits, grants and programs serving foster care, subsidized adoptions, ıd family reunifications as well as safe, non-violent environments for ıildren. The centralized intake function in CFSD is solely funded with :neral fund. HCSD spends about $61.9 million general fund over the ennium to support the match for federal funds, which includes support of e required TANF and child care maintenance of effort (MOE). General nd represents about half of the funding for offices of public assistance. is also used as match in eligibility determination for federal public sistance programs such as SNAP and Medicaid. DTP spends about $11 million general fund over the biennium as atch for benefits and grants, and functions serving individuals wishing to live independently and obtain and maintain a b.



State special revenue of $16.6 million is primarily used in the delivery of childcare and energy and weatherization services, through the prevention and stabilization fund and the universal system benefits funds, respectively. It supports some foster care costs from a wide variety of third party contributions such as parental payments, collections from child support and supplemental security income (SSI) for eligible children. State special revenue is the sole support of the Montana Telecommunications Access Program at $3.2 million. It is also includes retention of some CSED collections and the CSED federal incentives.

Federal funding of about $811 million is mostly used for benefits and grants, but is the entire support for the federally required disability determination function.



Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	69,002,422	69,002,422	138,004,844	93.92%	325,745,449	325,745,449	651,490,898	66.89%
Statewide PL Adjustments	3,697,849	3,643,611	7,341,460	5.00%	2,246,473	2,232,871	4,479,344	0.46%
Other PL Adjustments	779,650	2,500,811	3,280,461	2.23%	136,056,101	179,554,899	315,611,000	32.40%
New Proposals	(846,602)	(846,602)	(1,693,204)	(1.15%)	1,114,419	1,313,886	2,428,305	0.25%
Total Budget	**$72,633,319**	**$74,300,242**	**$146,933,561**		**$465,162,442**	**$508,847,105**	**$974,009,547**	

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	146.00	146.00	146.00	146.00	146.00	146.00	0.00	0.00%
Personal Services	7,491,367	8,119,654	8,081,193	8,077,424	15,611,021	16,158,617	547,596	3.51%
Operating Expenses	4,119,037	5,188,156	5,176,523	5,373,226	9,307,193	10,549,749	1,242,556	13.35%
Benefits & Claims	12,164,156	12,362,604	12,233,913	12,284,420	24,526,760	24,518,333	(8,427)	(0.03%)
Total Costs	**$23,774,560**	**$25,670,414**	**$25,491,629**	**$25,735,070**	**$49,444,974**	**$51,226,699**	**$1,781,725**	**3.60%**
General Fund	5,317,820	5,862,780	5,370,669	5,444,824	11,180,600	10,815,493	(365,107)	(3.27%)
State Special	865,705	1,792,847	1,603,960	1,604,760	2,658,552	3,208,720	550,168	20.69%
Federal Special	17,591,035	18,014,787	18,517,000	18,685,486	35,605,822	37,202,486	1,596,664	4.48%
Total Funds	**$23,774,560**	**$25,670,414**	**$25,491,629**	**$25,735,070**	**$49,444,974**	**$51,226,699**	**$1,781,725**	**3.60%**

Program Description

Disability Transitions Programs (DTP) assists Montanans with disabilities in living, working, and participating in their communities. The program provides or contracts for a variety of employment outcome-related, independent living, and transition services. These services include counseling and guidance, career training, transportation, adaptive equipment, orientation and mobility services to the blind, vocational rehabilitation training, independent living services, medical services, job placement, and supported employment. DTP is responsible for medical adjudication of all claims for Social Security Disability and Supplemental Security Income.

Vocational Rehabilitation (VR) serves individuals with physical, mental, visual, hearing, brain injury, and other disabilities.

Disability Transitions Programs (DTP) serves the telecommunications needs of Montanans who are deaf, hard of hearing, speech disabled, or mobility disabled through the Montana Telecommunication Access Program (MTAP).

The Economic Security Services Branch manager is attached to this program for budget purposes.

Statutory Title 53, MCA, 29 U.S.C. 721 et. seq., 29 U.S.C. 796, et. seq., 29 U.S.C. 774, 29 U.S.C. 777b, 29 U.S.C. 2201 et. seq., 42 U.S.C. 75, 6602, 72 U.S.C. 1300, 42 CFR 441.302(b), 42 CFR 441.302(g), 45 CFR 74.62, and 34 CRF Part 303

Program Highlights

Management and Disability Transitions Major Budget Highlights
♦ Total funding for the program increases about $1.8 million when the 2011 and 2113 biennia are compared ♦ When comparing increases to the FY 2010 base, the proposed budget includes increases over the biennium of about $3.6 million in total funds including: • $0.2 million in present law adjustments for rent adjustments • $0.9 million in statewide present law adjustments • About $1.5 million state special revenue in a contingency request should the federal government mandate that states pay for new technologies in telecommunication programs • about $1.0 million in the federally funded disability determination function ♦ The Governor proposes general fund reductions of $0.2 million over the biennium that are achieved via a funding switch from general fund to federal funds for in-home services and a personal services reduction
Major LFD Issues
♦ There is potentially about $500,000 state special revenue each year of the biennium in the Montana Telecommunications Program available as a transfer to general fund

Program Narrative

As mentioned in the agency overview, the Management and Disability Transitions Program was created in the DPHHS reorganization. Management refers to the position of the Economic and Security Services Branch manager position that was added in the reorganization. Disability transitions includes functions related to vocational rehabilitation, independent living, services for older blind clients, the Montana Telecommunications Program, and the federally funded Disability Determination Program and their existing budgets that moved from the Disability Services Division.

The following figure shows the funding for benefits and functions of DTP. It is followed by a discussion of the major components of the program's budget and services.

Disability Transitions
Summary of Benefits and Administration Costs and Funding

	Fiscal 2010 Base				Fiscal 2012 Requested				Fiscal 2013 Requested				Percent
	General Fund	State Spec. Rev	Federal Funds	Total Funds	General Fund	State Spec. Rev	Federal Funds	Total Funds	General Fund	State Spec. Rev	Federal Funds	Total Funds	of Total Catetory
Total DTP Budget Request	$5,317,820	$865,705	$17,591,035	$23,774,560	$5,370,669	$1,603,960	$18,517,000	$25,491,629	$5,444,824	$1,604,760	$18,685,486	$25,735,070	
Benefits and Claims													
Vocational Rehabilitation Section 110	$1,696,722	$0	$6,120,380	$7,817,102	$1,696,722	$0	$6,120,380	$7,817,102	$1,696,722	$0	$6,120,380	$7,817,102	64.0%
Blind / Low Vision Benefits Section 110	286,482	0	1,058,585	1,345,067	$286,482	0	1,058,585	1,345,067	$286,482	0	1,058,585	1,345,067	11.0%
Independent Living Part B	471,457	0	202,165	673,622	471,457	0	202,165	673,622	471,457	0	202,165	673,622	5.5%
Independent Living /Older Blind Clients	1,990	0	4,126	6,116	1,990	0	4,126	6,116	1,990	0	4,126	6,116	0.1%
Extended Employment Benefits	1,279,803	0	0	1,279,803	1,279,803	0	0	1,279,803	1,279,803	0	0	1,279,803	10.5%
Assistive Technology Grants (Montech)	0	0	437,373	437,373	0	0	437,373	437,373	0	0	437,373	437,373	3.6%
Supported Employment	0	0	388,810	388,810	0	0	388,810	388,810	0	0	388,810	388,810	3.2%
Visual Services Medical	87,705	0	0	87,705	87,705	0	0	87,705	87,705	0	0	87,705	0.7%
Social Security Benefits	0	0	65,551	65,551	0	0	65,551	65,551	0	0	65,551	65,551	0.5%
Disability Determination Client Assist.	0	0	56,118	56,118	0	0	85,974	85,974	0	0	96,180	96,180	0.8%
• Program 01 ARRA	11,385	0	0	11,385	11,334	0	0	11,334	11,335	0	0	11,335	0.1%
Total Benefits & Claims	$3,835,544	$0	$8,333,108	$12,168,652	$3,835,493	$0	$8,362,964	$12,198,457	$3,835,494	$0	$8,373,170	$12,208,664	100.0%
Percent of Total Budget Request	72.1%	0.0%	47.4%	51.2%	71.4%	0.0%	45.2%	47.9%	70.4%	0.0%	44.8%	47.4%	
Administration													
Disability Determination	$0	$0	$4,935,730	$4,935,730	$0	$0	$5,399,757	$5,399,757	$0	$0	$5,585,638	$5,585,638	41.7%
Vocational Rehabilitation Section 110	1,023,622	-	3,307,696	4,331,318	1,124,970	-	3,684,911	4,809,881	1,193,717	-	3,661,460	4,855,177	36.3%
Blind / Low Vision Section 110	241,778	0	613,925	855,703	254,734	0	655,927	910,661	259,741	0	652,193	911,934	6.8%
Independent Living /Older Blind Clients	67,999	0	190,441	258,440	30,821	0	206,815	237,636	30,898	0	207,153	238,051	1.8%
Independent Living Part B	10,346	0	52,055	62,401	13,459	0	69,782	83,241	14,019	0	69,059	83,078	0.6%
MT Telecommunications Program	0	847,307	0	847,307	0	1,589,267	0	1,589,267	0	1,590,136	0	1,590,136	11.9%
In-Service Training	25,153	0	55,210	80,363	10,578	0	55,045	65,623	10,579	0	55,047	65,626	0.5%
MT Youth Leadership Forum	50,000	0	0	50,000	50,000	0	0	50,000	50,000	0	0	50,000	0.4%
Total Aministration	$1,418,898	$847,307	$9,155,057	$11,421,262	$1,484,562	$1,589,267	$10,072,237	$13,146,066	$1,558,954	$1,590,136	$10,230,550	$13,379,640	100%
Percent of Total Budget Request	26.7%	97.9%	52.0%	48.0%	27.6%	99.1%	54.4%	51.6%	28.6%	99.1%	54.8%	52.0%	
Total Benefits and Administration	$5,254,442	$847,307	$17,488,165	$23,589,914	$5,320,055	$1,589,267	$18,435,201	$25,344,523	$5,394,448	$1,590,136	$18,603,720	$25,588,304	
Percent of Total Budget Request	98.8%	97.9%	99.4%	99.2%	99.1%	99.1%	99.6%	99.4%	99.1%	99.1%	99.6%	99.4%	
Remaining for Branch Manager and DTP Indirects	$63,378	$18,398	$102,870	$184,646	$50,614	$14,693	$81,799	$147,106	$50,376	$14,624	$81,766	$146,766	
Total DTP Budget Request	$5,317,820	$865,705	$17,591,035	$23,774,560	$5,370,669	$1,603,960	$18,517,000	$25,491,629	$5,444,824	$1,604,760	$18,685,486	$25,735,070	

Major Budget Components

The follow is a discussion of the services and funding of the major budget components.

Vocational Rehabilitation (VR) and Independent Living (IL)

Vocational Rehabilitation
91.24 FTE

VR services are designed to help individuals with physical, mental, visual, hearing, brain injury, and other disabilities obtain and keep a job. Services range from an entry evaluation of rehabilitation need, limitations, and abilities to career counseling, job training, coaching, and job search assistance. There are also opportunities to obtain adaptive aids or equipment necessary to get and keep a job, and post employment services. Clients are eligible if they want to work, have a physical or mental disability that prevents them from obtaining or keeping a job, and VR services would be needed and helpful.

The major source of funding for VR, federal Section 110, supports a total fund budget for the biennium of:

- $25.3 million in VR benefits and administration
- $4.5 million in benefits and administration serving blind and low vision clients

The funding match ratio is 78.7% federal and 21.3% state funds. The federal funding is a capped grant that has decreased from about $13.0 million in FY 2008 to $12.1 million in FY 2010. The grant for FY 2012 and FY 2013 is projected at slightly over $12.6 million each year.

The following chart shows the funding from FY 2008 and the projections for the 2013 biennium. It reflects the changes in Section 110 VR funding and the projected client services, including the program goal to have 830 clients complete their rehabilitation plan and return to work.

Vocational Rehabilitation Actual and Projected Expenditures and Client Services						
Category	Actual FY 2008	Actual FY 2009	Actual FY 2010	Projected FY 2011	Projected FY 2012	Projected FY 2013
General fund	$2,955,419	$2,667,425	$2,720,344	$ 3,246,853	$2,821,692	$2,890,439
Federal Section 110 Vocational Rehabilitation	10,919,786	9,855,697	9,428,076	9,643,326	9,805,291	9,781,840
Total Funding	$13,875,205	$12,523,122	$12,148,420	$ 12,890,179	$12,626,983	$12,672,279
Clients	7,453	7,959	8,508	8,500	8,300	8,300
Gained Employment	913	799	716	830	830	830
Receiving On-going Services at Year end	4,059	4,569	4,461	4,300	4,300	4,300

Independent Living
4.49 FTE

Independent Living benefits and administration budgets of $2.0 million include:

- Over $1.5 million total funds for Independent Living Part B
- About $0.5 million total funds for the IL / Older Blind clients

The latter amount is for older blind clients who do not qualify for the VR program. IL funding comes from federal Title VII Part B funds and related general fund at the required match ratio for Part B funds of 90% federal and 10% state for programs serving individuals with disabilities who wish to live independently. The legislature has also provided additional general fund in support of independent living services provided by the four independent living centers in Missoula, Great Falls, Helena, and Billings and the eleven branch offices throughout the state whose staff provides services to individuals with disabilities.

In accordance with federal regulations, a portion of the funding supports the Montana Statewide Independent Living Council (SILC), which develops and implements a State Plan for Independent Living and ensures funds are passed on to the four independent living centers.

The following figure shows the clients in IL and related programs.

Toal Clients Served in the Independent Living and Related Programs FY 2008 - FY 2010			
Program	FY 2008	FY 2009	FY 2010
Independent Living	958	1,221	1,421
Extended Employment	307	321	306
Older Blind	632	612	631
Visual Services Medical	107	151	207
MT Youth Leadership Fourm	18	26	15

In addition to IL services the table shows the total number of clients served in extended employment, the medical visual services programs, and the Montana Youth Leadership Forum whose funding is described below.

Additional VR and IL Services

As reflected in the benefits and administration table, there are several other funding sources that support the VR and IL client benefits. Across the biennium, the largest of these are:

- General fund of \$2.8 million including \$2.6 million for extended employment services providing supported employment opportunities for people with the most severe disabilities, about \$175,000 for visual medical services, and \$100,000 for the Montana Youth Leadership Forum
    - There is a \$25,690 proposal to reduce extended employment benefits discussed in the 5% Plan Reduction section
- Federal funds of over \$0.8 million for a pass through grant to Montech at the University of Montana to provide adaptive equipment support and help individuals live independently and/or retain employment
- Federal funds of over \$0.7 million for supported employment

Disability Determination(DDS)

45.00 FTE

The federal fund budget for DDS over the biennium includes:

- \$11.2 million, of which about \$200,000 is in benefits

DDS staff works with the Social Security Administration (SSA) in administering two disability programs. They determine eligibility for Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) services using medical/vocational criteria. SSDI is a monthly benefit paid to eligible individuals who cannot work due to serious physical or mental disability. SSI is a needs based program that provides coverage for adults and children with limited resources and income.

There is a request for increased federal authority of nearly \$1.0 million over the biennium for personal services, medical consultants, and overtime. There is further discussion in the new proposal section of this write-up.

Montana Telecommunications Access Program (MTAP)

4.27 FTE

The state special revenue budget for MTAP over the biennium includes:

- \$3.2 million to provide special communication equipment to Montanans who are deaf, hard of hearing, speech disabled, or mobility disabled

The Montana Telecommunications Access Program (MTAP) budget is for state special revenue of over \$3.2 million for the biennium. MTAP distributes special telephone equipment and operates the Montana Relay, which makes it possible to place calls between a standard telephone and a text telephone. Montanans who are hearing, mobility, or speech disabled and make less than 250% of the current federal poverty level are eligible for the program. Over the last few

years the program has provided assistance and equipment to 876 clients in FY 2006, 986 in FY 2008, 1,044 in FY 2009, and 802 in FY 2010. The decline is related to the migration of Montanans to internet-based telephone systems, thereby decreasing the number of individuals using communication assistance equipment. There is further discussion in the new proposal section of this write-up.

Future Costs
MTAP Services are provided by paying for special telecommunication services, which are paid at established, contracted rates at the number of minutes a client uses. As noted in the budget highlights, there is a $1.5 million contingency request should the federal government mandate that states pay for new technologies that use the Internet in telecommunication programs. The services that could be impacted are: 1) IP Relay, which uses a computer with an internet connection in place of a text telephone; and 2) VRS, a Video Relay Service that uses a computer and a webcam, or a video phone and a TV, in conjunction with a broadband internet connection, to make calls between a Sign Language User and a hearing user who knows no Sign Language. The following shows the services paid by MTAP.

Growth in new technology may bring other new levels of expense to MTAP. The Montana deaf and blind population is expected to gradually transition to deaf/blind communicators, which assist them in telephone and other communications. These items presently cost about $8,000 each. Because this is expected to be a slow transition, the program anticipates that costs could be absorbed in the 2013 biennium budget, but as clients become comfortable with the technology, requests for this equipment could impact the 2015 biennium budget and beyond.

Montana Telecommunications Access Program (MTAP)
Cost Per Minute and Average Annual Cost

	FY2009 Acutal	FY2010 Acutal	FY2011 Projected	FY2012 Projected	FY2013 Projected
Traditional - Cost Per Minute	$1.35	$1.37	$1.60	$1.75	$1.75
Minutes	119,959.00	93,361.00	77,075.04	77,075.04	77,075.04
Amounts	161,944.65	127,905.00	123,641.22	134,881.33	134,881.33
Captel - Cost Per Minute	1.65	1.67	1.78	1.78	1.78
Minutes	114,898.00	94,541.10	98,190.00	97,860.00	97,860.00
Amounts	189,581.70	158,016.00	174,778.20	174,190.80	174,190.80
Paid by National Exchange Carrier Association (NECA)				May Change to MTAP Pay	
IP - Cost Per Minute	1.29	1.29	1.29	1.29	1.29
Minutes	144,398.00	153,102.00	157,716.00	167,796.00	177,876.00
Amounts	149,365.29	158,368.71	163,141.43	173,568.18	183,994.93
VRS	6.77	6.77	6.77	6.77	6.77
Minutes	102,965.00	112,470.00	115,842.00	122,874.00	129,642.00
Amounts	557,658.44	609,137.52	627,400.27	665,485.58	702,141.07
Total Services	$1,058,550	$1,053,427	$1,088,961	$1,148,126	$1,195,208

Data Source. MTAP and NECA

Goals and Objectives

2013 Biennium Goal
The Legislative Finance Committee recommends the legislature consider the following critical goal and performance measurement(s) as part of its decisions on the executive's budget requests for this program.

DTP could be impacted by the following overarching critical goals that LFD staff, the agency, and the Joint Appropriations Subcommittee for Health and Human Services are asked to discuss during the program budget presentation and, if appropriate, follow through the budget cycle:

- Implement components of federal health insurance reform
  - Integrate Medicaid eligibility determination in the health insurance exchange design
  - Evaluate the potential for a single system to determine Medicaid eligibility
  - Estimate the cost of Medicaid eligibility expansion for consideration by the 2013 Legislature
- Continue to monitor implementation of Healthy Montana Kids
- Review impact of economy on workload and programs
- Study the effect of broad based budget reductions such as the proposed 4% FTE/personal services reductions

LFD COMMENT

The Legislature May Wish to Request Updates Over the Interim

As mentioned in the VR discussion, in Montana and nation-wide, VR programs are experiencing

increases in caseloads among the disabled population that seek help to gain employment as jobs disappear due to the economic downturn and work is harder to find. Additionally, as mentioned in the personal services discussion, VR counselors are carrying high caseloads due to vacancy savings and the length of time it takes a new hires to acquire the skill and knowledge to serve the clients in their efforts to gain employment.

Given the potential long-term impact of the downturn in the economy, the legislature may want to have DTP report to the Legislative Finance Committee over the interim. Discussion points could include the ratio of caseload to counselor, impact of the retirements and/or staff turnover, and an update on the budget outlook with regard to caseload and a potential federally required order of selection. A potential option for a performance measure could be the program goal to have 830 clients complete their rehabilitation plan and return to work each year of the biennium. Tracking measures could include the caseload seeking assistance toward employment and ratio to counselors, jobs available in their area, and costs of services.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

The total 5% reduction plan for DTP is about $0.3 million over the biennium. There are two requests included in the Governor's budget:

- $131,944 in DP 55401 requesting a 4% personal services reduction
- $86,400 in DP 55140 requesting approval of a funding switch

There are reductions of nearly $37,000 general fund over the biennium that are included in the agency's plan but are not in the Governor's budget, including:

- $10,600 in program efficiencies to be achieved by improved purchasing practices when ordering numerous smaller items
- $25,690 to reduce extended employment benefits to individuals with the most severe disabilities

Extended employment provides long-term sheltered and community based employment to persons with the most significant disabilities. According to the program, this amount of funding would serve approximately three individuals. It is possible that with the removal of funding for services some individuals could lose the support necessary to live independently or be unable to retain their jobs.

ARRA Funds

The 2009 Legislature approved a $2.3 million increase for VR program grants in HB 645, which implemented the federal stimulus (ARRA). The figure on the following page shows expenditures of $870,378. ARRA funds are one-time-only (OTO) funds that are removed from the base in the development of the 2013 biennium budget. Of the expended amount, $559,595 was for benefits that were removed as part of the OTO. As of this writing, no other ARRA funds have been expended on benefits.

This funding, along with all ARRA OTO funding, was included in the list of the "Reference Book" options that identifies opportunities for the legislature to reduce or reclaim general fund.

ARRA Funding for Vocational Rehabilitaion and Independent Living					
Category	Appropriation FY2010	Appropriation FY2011	Total 2011 Biennium	*Expenditures 2011 Biennium	Balance 2011 Biennium
Benefits					
Vocational Rehabilitation	$1,059,043	$1,000,000	$2,059,043	$761,448	$1,297,595
Older Blind Services	13,781	0	13,781	13,781	0
Independent Living	242,913	0	242,913	95,149	$147,764
Total ARRA	$1,315,737	$1,000,000	$2,315,737	$870,378	$1,445,359

* Expenditures: Personal Services $150,000; Operating Costs $162,657; Benefits of $559,595
Funds are available until 9/30/2011
Data: SABHRS Nov. 24, 2010

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table
Management And Disability Tranisitions

Program Funding		Base FY2010	% of Base FY2010	Budget FY2012	% of Budget FY2012	Budget FY2013	% of Budget FY2013
01000	Total General Fund	$ 5,317,820	22.4%	$ 5,370,669	21.1%	$ 5,444,824	21.2%
	01100 General Fund	5,317,820	22.4%	5,370,669	21.1%	5,444,824	21.2%
02000	Total State Special Funds	865,705	3.6%	1,603,960	6.3%	1,604,760	6.2%
	02159 Handicapped Telecommunications	847,307	3.6%	1,589,267	6.2%	1,590,136	6.2%
	02434 02 Indirect Activity Prog 01	18,398	0.1%	14,693	0.1%	14,624	0.1%
03000	Total Federal Special Funds	17,591,035	74.0%	18,517,000	72.6%	18,685,486	72.6%
	03024 Soc Sec - Trust Funds	65,551	0.3%	65,551	0.3%	65,551	0.3%
	03365 03 Indirect Activity Prog 01	102,870	0.4%	81,799	0.3%	81,766	0.3%
	03554 84.169 - Independent Living 90	254,220	1.1%	271,947	1.1%	271,224	1.1%
	03555 84.177 - Indep Living Old Blin	194,567	0.8%	210,941	0.8%	211,279	0.8%
	03557 84.187 - Vic Sup Employment	388,810	1.6%	388,810	1.5%	388,810	1.5%
	03558 84.224 - Mon Tech 100%	437,373	1.8%	437,373	1.7%	437,373	1.7%
	03559 84.265 - In Service Training 9	55,210	0.2%	55,045	0.2%	55,047	0.2%
	03588 93.802 - Disabil Deter Adm 100	4,991,848	21.0%	5,485,731	21.5%	5,681,818	22.1%
	03604 84.126 - Rehab-Sec110 A 78.7%	11,100,586	46.7%	11,519,803	45.2%	11,492,618	44.7%
Grand	Total	$ 23,774,560	100.0%	$ 25,491,629	100.0%	$ 25,735,070	100.0%

The program is funded from a variety of sources and funding and federal matching rates vary by function.

General fund comprises 21.2% of the budget, with most used to match federal funds. General fund supports benefits, grants and functions serving individuals wishing to live independently, obtain and maintain a job, and acquire the necessary assistive technology. The activities supported entirely by the general fund are the extended employment program, visual services medical support, and the Montana Youth Leadership Forum.

State special revenue comprises about 6.2% of the budget and is the sole support of the MTAP program. Revenue is raised by a fee of 10 cents a month assessed on bills for subscriber connections and/or prepaid wireless telecommunication services per 53-19-311, MCA.

Federal funds comprise over 72.6% of the budget. The disability determination function is funded entirely with federal funds as is the Montech assistive technology program and supported employment.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	5,317,820	5,317,820	10,635,640	98.34%	23,774,560	23,774,560	47,549,120	92.82%
Statewide PL Adjustments	58,527	82,552	141,079	1.30%	450,863	444,351	895,214	1.75%
Other PL Adjustments	60,294	110,424	170,718	1.58%	98,266	149,250	247,516	0.48%
New Proposals	(65,972)	(65,972)	(131,944)	(1.22%)	1,167,940	1,366,909	2,534,849	4.95%
Total Budget	**$5,370,669**	**$5,444,824**	**$10,815,493**		**$25,491,629**	**$25,735,070**	**$51,226,699**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					805,895					798,805
Vacancy Savings					(331,887)					(331,606)
Inflation/Deflation					(10,661)					(10,363)
Fixed Costs					(12,484)					(12,485)
Total Statewide Present Law Adjustments		**$58,527**	**($31,517)**	**$423,853**	**$450,863**		**$82,552**	**($31,571)**	**$393,370**	**$444,351**
DP 1001 - Tuition Increase	0.00	39,901	0	0	39,901	0.00	80,202	0	0	80,202
DP 1002 - Non DofA rent adjustment	0.00	63,593	(5,228)	0	58,365	0.00	73,422	(4,374)	0	69,048
DP 55140 - 17-7-140 Optimize In-Service and ILOB funding	0.00	(43,200)	0	43,200	0	0.00	(43,200)	0	43,200	0
Total Other Present Law Adjustments	**0.00**	**$60,294**	**($5,228)**	**$43,200**	**$98,266**	**0.00**	**$110,424**	**($4,374)**	**$43,200**	**$149,250**
Grand Total All Present Law Adjustments	**0.00**	**$118,821**	**($36,745)**	**$467,053**	**$549,129**	**0.00**	**$192,976**	**($35,945)**	**$436,570**	**$593,601**

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- **Pay Plan Exceptions** – There are no exceptions to the pay plan across the divisions of DPHHS.
- **Program Specific Obstacles** – Should a position become available, DTP competes with salaries for financial and regional management professionals, as well as qualified support services staff. But in general, the program is experiencing quality applicants in the present economy.
- **Vacancy** – Any vacancy has an impact on services because of the length of time it takes a new hire to acquire the skill and knowledge to serve the clients.
- **Legislatively Applied Vacancy Savings** – In order to meet the vacancy savings, divisions were asked to hold positions open for longer periods of time. This impacted the remaining staff with regard to time spent with each client. Over all, each program was given a target for personal services budget reductions. Vacancies are addressed at the agency level considering critical needs and resource distribution with final approval from the agency director.
- **Pay/Position Changes** – There were no changes.

- **Retirements** – DTP has 89 of 148 employees eligible for retirement. It estimates that 11 employees may retire during this biennium at an anticipated liability of $97,405.

DP 1001 - Tuition Increase - This request is for a general fund increase of $120,103 over the biennium to accommodate a 1% increase each year to fund a portion of the increased tuition costs for VR benefits. Funding would assist individuals with disabilities in returning to work, and would be used to continue funding for individuals and new clients for post secondary education courses.

DP 1002 - Non DofA Rent Adjustment - This request is for a total general fund increase of $137,015 and a reduction of $9,602 of state special revenue for the biennium for rent increases for offices in non-state owned buildings. The total fund increase is $127,413. The increase supports MTAP and VR programs and is built into the lease agreements for field offices.

DP 55140 - 17-7-140 Optimize In-Service and ILOB Funding - This request would reduce the general fund base budget for DTP by $43,200 and increase federal funding by the same amount each year of the biennium. The amount represents the 5% budget reduction required by the Governor per 17-7-140, MCA in April 2010 and continues the operations reduction applied in FY 2011. Costs would be reduced in training and education by using WebEx and increasing federal participation. There would be additional reductions in personal services costs associated with hands on benefits for individuals in the older blind program by capping the grant.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
	Fiscal 2012					Fiscal 2013				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1103 - MTAP New Technologies										
01	0.00	0	775,000	0	775,000	0.00	0	775,000	0	775,000
DP 1104 - Disability Determination Federal Funds Adjustment										
01	0.00	0	0	392,940	392,940	0.00	0	0	591,909	591,909
DP 55401 - 4% Personal Svs GF Bud Reduction										
01	0.00	(65,972)	0	65,972	0	0.00	(65,972)	0	65,972	0
Total	**0.00**	**($65,972)**	**$775,000**	**$458,912**	**$1,167,940**	**0.00**	**($65,972)**	**$775,000**	**$657,881**	**$1,366,909**

DP 1103 - MTAP New Technologies - This is a contingency request of $1.55 million state special revenue authority over the biennium for MTAP. It would be used in the event the federal government mandates that the states pay for new technologies that use the Internet in telecommunication programs: Internet Protocol Relay (IP), which uses a computer with an internet connection in place of a text telephone; and VRS, a Video Relay Service that uses a computer and a webcam, or a video phone and a TV, in conjunction with a broadband internet connection, to make calls between a sign language user and a hearing user who knows no sign language.

MTAP predicts the federal mandate would come with advance notice of at least 18 months.

LFD COMMENT

The following table shows the actual and projected costs of services. To date the National Exchange Carrier Association (NECA) has paid the cost of the IP and VRS relays. The estimated costs that would be passed to the state are reflected in FY 2012 and FY 2013. The estimated increase of over $0.8 million each year is slightly more than the requested authority increase, but passage of the request would provide sufficient authority in context of the entire MTAP budget. As reflected in the following table, there are sufficient funds in the account for this increase.

Montana Telecommunications Access Program
FY 2010 Expenditures and the 2013 Biennium Projected Budget

Categories	FY2010 Actual	FY2011 Projected	FY2012 Projected	FY2013 Projected
Beginning Available Fund Balance	$1,522,978	$2,040,687	$2,508,688	$2,238,720
Fee Assessment Estimate / Per DOR*	1,364,371	1,454,575	1,503,419	1,553,903
Total Funds Available	$2,887,349	$3,495,262	$4,012,107	$3,792,623
Expenses				
Administration	$244,363	$247,280	$252,226	$257,270
Other Services	9,789	19,354	9,789	9,789
Outreach	115,128	160,000	115,128	115,128
Supplies	18,481	25,000	18,481	18,851
distribution equipment	90,624	110,000	90,624	92,436
Communications	6,392	10,000	6,392	6,584
Travel	16,780	22,000	16,780	17,283
Rent/Utilities	32,413	31,021	32,413	33,385
Repairs/Maintenance	23,186	3,500	23,186	23,186
Other Expenses	6,317	7,500	6,317	6,443
Indirect Costs	30,071	47,500	48,925	50,393
Relay Services				
Traditional	127,905	123,641	134,881	134,881
Captioned Telephone	158,016	174,778	174,191	174,191
DP 1103 Video Relay Service (VRS)	0	0	665,486	702,141
DP 1103 Internet Protocol (IP)	0	0	173,568	183,995
Prior Year Adjust and Corrected Pmt.	(32,803)	5,000	5,000	0
Total Operating Expenses	$846,662	$986,574	$1,773,387	$1,825,957
Year Ending Fund Balance	$2,040,687	$2,508,688	$2,238,720	$1,966,667

* Department of Revenue
Data Source: DPHHS

Balance Transfer to Other Uses

The table illustrates projected expenditures, revenues, and fund balance for the MTAP state special revenue fund. Expenses are projected to be about $1.8 million each year and revenues are projected to be about $1.5 million each year. However, the fund balance of about $2.0 million at the end of FY 2010 is basically remaining at the end of FY 2013.

Growth in Technology

As mentioned in the MTAP discussion, growth in new technology may bring other new levels of expense to MTAP. The Montana deaf and blind population is expected to gradually transition to deaf/blind communicators, which assist them in telephone and other communications. These items presently cost about $8,000 each. Because this is expected to be a slow transition, the program anticipates that costs could be absorbed in the 2013 biennium budget, but as clients become comfortable with the technology, requests for this equipment could impact the 2015 biennium budget and beyond. It is estimated that five or six individuals might request this technology, at a potential cost of $48,000 for six requests.

Options

The nearly $2.0 million available fund balance at the end of FY 2013 could cover the technology requests and the increase for authority the executive requested in DP1103 of $775,000 for that year.

LFD COMMENT CONT.

Alternatives to this request may be as follows.

Given that the ending fund balance exceeds the annual operating costs for FY 2013, the legislature may wish to request legislation to change section 53-19-310, MCA, which established the account for "telecommunications services and specialized telecommunications equipment for persons with disabilities in the state special revenue fund" and allow the fund to be used for a broader range of services to include services currently provided by the general fund.

If funding is maintained to support the potential increase of requests for new technology, any surprise growth in the other programs and to ensure the budget is stable through FY 2015 in accordance with federal requirements, the legislature could amend statute to allow a transfer of up to $500,000 in FY 2012 and FY 2013 and consider:

- A transfer of up to $500,000 state special revenue in FY 2012 and FY 2013 to the Economic Security Branch's general fund for benefits
- A transfer of up to $500,000 state special revenue in FY 2012 and FY 2013 to the state general fund

If all revenue and expenditure projections remain unchanged from the MTAP budget as of June 2010, there should be a fund balance of about $700,000 at the close of FY 2014 and $400,000 at the close of FY 2015.

DP 1104 - Disability Determination Federal Funds Adjustment - This request is a federal fund increase of $984,850 over the biennium for Disability Determination Services (DDS) for client travel, zero-based personal services, and medical consultants to allow the Disability Determination Services bureau to process their workload in an electronic environment to meet Social Security Administration (SSA) required productivity levels.

Overtime, differential, holiday, and associated personal service benefit payments are zero based and must be requested each biennium. Medical consultants review all cases cleared through the DDS as mandated by federal law and are paid through contracts mandated by state law. Projections indicate a 22% increase in case clearances for FY 2012 and an increase of 27% for FY 2013. The increase each year reflects productivity rising as transition to the paperless process continues. Disability claimants required travel to consultative examinations are reimbursed for their expenses at state per diem rates. Projections indicate a 22% increase in case clearances in FY 2012 and an increase of 27% in FY 2013.

The following table shows the components of the request.

Federal Funds Requested in DP 1104		
	FY 2012	FY 2013
Overtime	$24,300	$25,028
Holiday Pay for Employees Working on State Recognized Holidays	77,018	79,330
Medical Consultant Contracts	261,766	447,489
Client Travel for Consultative Exams	29,856	40,062
	$392,940	$591,909

DP 55401 - 4% Personal Svs GF Bud Reduction This request is the 4% general fund personal services reduction applied to most agencies. It is a general fund base budget reduction of $65,972 each year of the biennium. No positions would be eliminated. The savings would be realized by moving a position that was funded only by general fund into a program that allows 78.7% of the cost to come from federal funds. The reduction would carry forward permanently.

Program Budget Comparison
The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	467.32	467.32	472.32	472.32	467.32	472.32	5.00	1.07%
Personal Services	21,850,090	22,593,594	23,348,440	23,344,016	44,443,684	46,692,456	2,248,772	5.06%
Operating Expenses	6,390,876	7,111,145	8,756,568	8,803,126	13,502,021	17,559,694	4,057,673	30.05%
Equipment & Intangible Assets	80,600	90,587	87,600	87,600	171,187	175,200	4,013	2.34%
Grants	20,042,893	21,342,956	23,472,932	22,460,049	41,385,849	45,932,981	4,547,132	10.99%
Benefits & Claims	183,415,718	191,826,230	311,714,516	353,571,881	375,241,948	665,286,397	290,044,449	77.30%
Total Costs	**$231,780,177**	**$242,964,512**	**$367,380,056**	**$408,266,672**	**$474,744,689**	**$775,646,728**	**$300,902,039**	**63.38%**
General Fund	30,868,237	31,338,309	30,968,203	30,903,549	62,206,546	61,871,752	(334,794)	(0.54%)
State Special	1,408,638	1,518,021	2,386,162	2,385,460	2,926,659	4,771,622	1,844,963	63.04%
Federal Special	199,503,302	210,108,182	334,025,691	374,977,663	409,611,484	709,003,354	299,391,870	73.09%
Total Funds	**$231,780,177**	**$242,964,512**	**$367,380,056**	**$408,266,672**	**$474,744,689**	**$775,646,728**	**$300,902,039**	**63.38%**

Program Description
The Human and Community Services Division (HCSD) includes four bureaus: 1) Public Assistance; 2) Early Childhood Services; 3) Intergovernmental Human Services; and 4) Fiscal Services.

The Public Assistance Bureau administers and provides eligibility services for Montana's Temporary Assistance to Needy Families (TANF) program, Refugee Assistance program, and Supplemental Nutrition Assistance Program (SNAP) in locations across the state. At these same locations, the bureau also provides eligibility services for over 40 Medicaid groups including Healthy Montana Kids (HMK) Plus.

The Intergovernmental Human Services Bureau administers:

- The Community Services block grant, which is used by ten Human Resource Development Councils to provide a wide range of community-based human services
- The Low-Income Energy Assistance Program and Weatherization program (LIEAP)
- The Department of Energy (DOE) Weatherization program including funding for weatherization from five other sources
- The Emergency Shelter grants program
- The Housing Opportunities for Persons with AIDS grants
- Three USDA commodities programs.

In addition, the bureau stores and distributes USDA commodity foods to elderly feeding sites, and stores USDA commodity foods for school lunch programs.

The Early Childhood Services Bureau:

- Manages the funds that pay for child care for TANF participants, working caretaker relatives, and low-income working families
- Contracts with resource and referral agencies to administer child care eligibility, recruit providers, and provide technical assistance
- Administers the Child and Adult Care Food Program, which provides reimbursement to day care providers for the cost of meals served to eligible children and adults
- Administers the Head Start State Collaboration grant
- Administers the Early Childhood Comprehensive Systems Grant
- Manages the funds that pay for quality child care initiatives including professional development

The Fiscal Services Bureau coordinates implementation and monitoring of the division's budget.

Statutory authority is in Title 53, Chapter 2, MCA, and 45 CFR.

Program Highlights

Human and Community Services
Major Budget Highlights

- Total funding for the division increases over 63% when the 2011 and 2013 biennia are compared, primarily due to projected federal fund benefit increases over the biennium of:
  - $250.0 million for SNAP (Food Stamps)
  - $29.6 million for LIEAP energy assistance
  - $12.0 million for TANF benefits
  - $9.9 million for child care and a related food program grant
  - $6.0 million for weatherization and community assistance
- Other increases over the biennium include:
  - $2.3 million total funds in statewide present law adjustments that is the net of a $4.2 million increase in personal services offset by a $1.9 million reduction in vacancy savings and fixed operating costs
  - $0.5 million total funds for rent in non-state owned buildings and overtime
  - Nearly $0.5 million state special revenue and federal funds for eligibility workers for Healthy Montana Kids
- The Governor proposes a 5% general fund reduction over the biennium of $2.4 million in operating and personal services costs

Program Narrative

The following write-up for HCSD includes an overview of the division that is followed by a more detailed discussion of the major service areas: Public Assistance; Energy and Commodities; and Early Childhood Services in the subprogram section.

Increases in the Budget

The budget for the division grows by over $300 million, nearly all of which is due to increases in federal benefits for SNAP, LIEAP, weatherizaiton programs, child care programs, and TANF.

Increases in personal services and operating costs over the biennium are primarily due to statewide and other present law adjustments including:

- $2.3 million total funds in statewide present law adjustments that is the net of a $4.2 million increase in personal services offset by a $1.9 million reduction in vacancy savings and fixed operating costs
- Present law adjustments for:
  - Nearly $0.5 million in state special revenue and federal funds for eligibility workers for the Healthy Montana Kids program
  - $0.2 million for overtime and holidays worked
  - $0.3 million total funds for rent in non-state owned buildings

The major increase in operations is associated with the LIEAP and weatherization benefits and grant requests, which contain funds in support of IT systems and contracts to non profits for training and program delivery. The funding supports increases of $1.9 million total funds over the biennium for contracted IT consultants that work on the systems that are used to track, manage, report, and pay claims for LIEAP; and $1.5 million federal funds for contracts to non-

profits including the Human Resource Development Councils and Montana State University, mostly for weatherization and weatherization training.

Benefits and grants are discussed in the subdivision write-ups. Projected federally funded benefit increases over the biennium would support:

- $250.0 million for SNAP (Food Stamps)
- $29.6 million for LIEAP energy assistance
- $12.0 million for TANF cash assistance benefits
- $9.9 million for child care and a related food program grant
- $6.0 million for weatherization and community assistance

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

The total 5% reduction plan for HCSD is about $3.1 million over the biennium, including $2.4 million that is in the Governor's budget and a reduction of just over $0.7 million that was submitted by the division but not included in the Governor's budget.

Of the eight items in the Governor's budget, six are taken from the Early Childhood Services Bureau (ECSB) for restructuring the Child Care Reference and Referral (R&R) structure throughout the state, streamlining child care eligibility, and an operations reduction. The two Public Assistance Bureau (PAB) reductions relate to operations and some available general fund for TANF maintenance of effort (MOE). The items are listed below with detailed descriptions provided in the present law adjustments and new proposal sections at the subprogram level.

Reductions included in the Governor's budget are:

- $978,254 in DP 55402 for a 4% reduction in personal services that does not reduce staff. The actual reduction is a $72,000 reduction in operating costs for printing, postage, and supplies. The balance of the proposal is a funding switch that reduces general fund supporting OPA eligibility staff by $906,254 and increases state special revenue related to the Healthy Montana Kids Plus program by the same amount
- $85,966 in DP 55141 for Public Assistance Bureau (PAB) operations efficiencies
- $49,090 in DP 55142 for Early Childhood Services Bureau (ECSB) operations efficiencies
- $150,000 in DP 55143 to eliminate the Montana Resource and Referral (R&R) contract
- $300,000 in DP 55144 to centralize child care referrals
- $300,000 in DP 55145 to reorganize the R & R agency
- $400,000 in DP 55146 implement dual eligibility for SNAP families in need of child care
- $100,000 in DP 55147 to eliminate the consumer education contract

There is additional discussion of the first two proposals in the present law and new proposal sections of the Public Assistance subprogram write up; other proposals are discussed in the present law section of the Child Care subprogram.

There is a general fund reduction of about $0.7 million over the biennium that is not in the executive budget and is presented here for legislative consideration. This reduction is:

- $715,692 to reduce the TANF maintenance of effort (MOE) expenditures
    - Potential impact: States are federally required to spend general fund at 75% of the TANF block grant. If a state spends general fund beyond the required MOE, it helps avoid federally assessed penalties when federal work participation requirements are below standard. HCSD would have to manage the MOE and the state's work participation requirements to avoid possible sanctions or penalties.

Goals and Objectives

2013 Biennium Goal

The Legislative Finance Committee recommends the legislature consider the following critical goal and performance measurement(s) as part of its decisions on the executive's budget requests for this program.

HCSD could be impacted by the following overarching critical goals that LFD staff, the agency, and the Joint Appropriations Subcommittee for Health and Human Services will follow through the budget cycle.

- Implement components of federal health insurance reform
    - Integrate Medicaid eligibility determination in the health insurance exchange design
    - Evaluate the potential for a single system to determine Medicaid eligibility
    - Estimate the cost of Medicaid eligibility expansion for consideration by the 2013 Legislature
- Continue to monitor implementation of Healthy Montana Kids
- Review the impact of economy on workload and programs
- Review the effect of broad based budget reductions (such as proposed 4% FTE/personal services reductions)

There is further discussion related to the goals and objectives throughout this analysis.

Functions of HCSD, Benefits, Grants, and Funding

The division provides services through three bureaus: 1) Public Assistance; 2) Energy and Commodity Assistance; and 3) Early Childhood services. The following figures illustrate how the division receives its funding and how the programs and services are delivered by the three bureaus.

The first figure shows the total division budget reflecting administrative expenditures by program and the total of benefits and grants for the base year and requested amounts for the 2013 biennium. The second figure is a detailed summary of the benefits and grants for the base year and requested amounts for the 2013 biennium.

Administration

The figure below provides a summary of the division by major function. Total administration funding increases over the base year; but general fund declines primarily due to the funding switch and the reductions mentioned earlier in the 5% Reduction Plan discussion.

Summary of 2013 Biennium Division Administrative, Benefit, and Grants Costs Per Function Compared to the Base Budget

	Fiscal 2010 Base				Fiscal 2012 Request				Fiscal 2013 Request			
	General Fund	SSR	Federal Funds	Total Funds	General Fund	SSR	Federal Funds	Total Funds	General Fund	SSR	Federal Funds	Total Funds
Total Budget for the Division	$30,826,140	$1,409,168	$199,544,869	$231,780,177	$30,968,203	$2,386,162	$334,025,691	$367,380,056	$30,903,549	$2,385,460	$374,977,663	$408,266,672
Program Administration												
Division Administration*	$250,862	$3,033	$364,111	$618,006	$245,238	$5,444	$356,076	$606,758	$245,171	$5,442	$355,979	$606,592
Public Assistance Bureau Administration	806,317	14,457	1,068,107	1,888,881	715,630	68,647	1,087,495	1,871,772	715,199	68,608	1,086,846	1,870,653
County Offices of Public Assistance	9,426,772	358,648	10,363,349	20,148,769	9,513,444	931,212	10,995,628	21,440,284	9,451,414	930,547	11,094,698	21,476,659
TANF Employment, Training, and Work	621,673	0	200,543	822,216	523,971	0	240,516	764,487	524,150	0	240,597	764,747
SNAP Training and Support	168,983	0	490,797	659,780	216,615	0	577,536	794,151	215,642	0	577,913	793,555
Energy, Commodities and Housing Administration	14,001	0	781,898	795,899	23,794	2,829	943,671	970,293	23,829	2,833	945,591	972,253
Energy and Weatherization Administration	2,235	0	1,832,819	1,835,054	2,235	0	4,155,078	4,157,313	2,235	0	4,156,438	4,158,673
Early Childhood Services Administration	561,674	674	990,613	1,552,961	193,417	674	1,393,459	1,587,550	193,381	674	1,397,555	1,591,610
Total Program Costs for the Division	$11,852,517	$376,812	$16,092,237	$28,321,566	$11,434,343	$1,008,806	$19,749,459	$32,192,608	$11,371,021	$1,008,104	$19,855,617	$32,234,742
Percent of Division Total Budget	38 4%	26.7%	8 1%	12 2%	36 9%	42 3%	5.9%	8.8%	36 8%	42.3%	5.3%	7 9%
Total Benefits	$10,204,376	$1,032,356	$172,178,986	$183,415,718	$10,625,240	$1,377,356	$299,711,920	$311,714,516	$10,625,159	$1,377,356	$341,569,366	$353,571,881
Percent of Division Total Budget	33.1%	73.3%	86.3%	79 1%	34.3%	57.7%	89 7%	84.8%	34 4%	57.7%	91 1%	86 6%
Total All Grants for the Division	$8,769,246	$0	$11,273,647	$20,042,893	$8,908,620	$0	$14,564,312	$23,472,932	$8,907,369	$0	$13,552,680	$22,460,049
Percent of Division Total Budget	28.4%	0.0%	5 6%	8 6%	28 8%	0.0%	4 4%	6 4%	28 8%	0 0%	3 6%	5.5%
Total Benefits and Grants	$18,973,622	$1,032,356	$183,452,633	$203,458,611	$19,533,860	$1,377,356	$314,276,232	$335,187,448	$19,532,528	$1,377,356	$355,122,046	$376,031,930
Percent of Division Total Budget	61.6%	73 3%	91.9%	87 8%	63.1%	57 7%	94 1%	91 2%	63 2%	57.7%	94 7%	92 1%

* Includes $2,152 each year for Refugee Assistance Program

The greatest amount of administrative general fund is just over $9 million each year and supports OPAs serving communities throughout the state. The decrease in early childhood services general fund and increase in federal funds is primarily due to the reductions proposed by the Governor that were discussed earlier and are also detailed in the child care subprogram discussion. The increase over the 2013 biennium in energy and weatherization administration federal funding is due to the increases in benefits at the federal level, which also increases the amounts the division is allowed to spend on administration and operations.

Benefits and Grants

As noted earlier, benefits represent over $660 million in total funds for the biennium and grants represent nearly $45 million. Benefits and grants account for over 90% of the division budget each year.

General fund is primarily used as match for federal benefits and grants, including a required maintenance of effort amount known as MOE in the TANF and child care programs. TANF and child care programs account for the majority of the general fund for grants and benefits. Combined grants and benefits are projected to account for 92.1% of the total funds budget by FY 2013 and administration to be about 7.9% in the same year.

Expenditures for Benefits and Grants
The benefits provided by the three bureaus are shown in the figure on the next page.

Benefits
The federally funded SNAP benefits at well over $200 million total funds each year of the biennium account for 64.6% and 68.6% of the total benefits for FY 2012 and 2013, respectively. Energy, weatherization, housing, and commodities benefits account for about $35 million total funds each year of the biennium and represent about 10% of the total benefits. Child care benefits also represent about $35 million total funds each year and about 10% of the total benefits and grants. TANF cash assistance, work and training programs, and support services represent about $25 million and around 7% of the total benefits and grants each year for the division. TANF general fund in benefits is primarily used as MOE.

The general fund for child care benefits is used as match for federal funds and additional legislative support of early childhood and child care activities, with $1.3 million each year supporting the required MOE.

There is about $668,000 listed as American Recovery and Reinvestment Act (ARRA) child care that reflects an increase in child care general fund for FY 2012 and FY 2013. This reverses a funding switch of ARRA funds made by the 2009 Legislature in HB 645, which addressed ARRA funding. The original switch lowered general fund and replaced it with federal ARRA funding for the 2011 biennium and came with language in HB 645 allowing the division to include the same amount as general fund in the development of its 2013 biennium budget. Funding supports caseload and federal poverty level adjustments in the child care program. There is also discussion in the ARRA funding section.

Grants
TANF and child care account for the largest amount of the division's total fund grant budget. TANF employment, training, and work support activities represent a total fund budget of about $25 million and are 54% of the grant budget. The TANF grant general fund for the biennium is about $17 million. TANF general fund is primarily used as the required MOE match. Federally funded early childhood activities account for 28.1% of the grant budget as well as accounting for about $13 million of the total funding over the biennium.

Summary of 2013 Biennium Division Costs for Benefits and Grants Compared to the Base Budget	Fiscal 2010 Base				Fiscal 2012 Request				Fiscal 2013 Request				% Division
	General Fund	SSR	Federal Funds	Total Funds	General Fund	SSR	Federal Funds	Total Funds	General Fund	SSR	Federal Funds	Total Funds	Bien. Total
Total Benefits and Grants	$18,973,622	$1,032,356	$183,452,633	$203,458,611	$19,533,860	$1,377,356	$314,276,232	$335,187,448	$19,532,528	$1,377,356	$355,122,046	$376,031,986	
Benefits													
Temporary Assistance for Needy Families													
TANF Cash Assistance	$735,500	$35,000	$15,672,646	$16,443,146	$735,500	$35,000	$21,361,341	$22,131,841	$735,500	$35,000	$22,002,215	$22,772,715	88.9%
TANF Employment, Training, and Work	1,552,490	0	500,811	2,053,301	1,407,310	0	645,991	2,053,301	1,407,312	0	645,989	2,053,301	8.1%
TANF Supportive Services	758,437	0	0	758,437	758,437	0	0	758,437	758,437	0	0	758,437	3.0%
Subtotal	$3,046,427	$35,000	$16,173,457	$19,254,884	$2,901,247	$35,000	$22,007,332	$24,943,579	$2,901,249	$35,000	$22,648,204	$25,584,453	100.0%
Percent of Benefits and Grants Total	16.1%	3.4%	8.8%	9.5%	14.9%	2.5%	7.0%	7.4%	14.9%	2.5%	6.4%	6.8%	
Supplimental Nutrition Assistance Program													
SNAP (Food Stamps)	$0	$0	$112,139,033	$112,139,033	$0	$0	$216,337,085	$216,337,085	$0	$0	$257,940,893	$257,940,893	100.0%
SNAP Training/Support	20,835	0	60,513	81,348	22,189	0	59,159	81,348	22,106	0	59,242	81,348	0.0%
Subtotal	$20,835	$0	$112,199,546	$112,220,381	$22,189	$0	$216,396,244	$216,418,433	$22,106	$0	$258,000,135	$258,022,241	100.0%
Percent of Benefits and Grants Total	0.1%	0.0%	61.2%	55.2%	0.1%	0.0%	68.9%	64.6%	0.1%	0.0%	72.7%	68.6%	
Energy, Weatherization, Housing & Commodities													
Energy & Weatherization Benefits	$0	$164,772	$18,513,208	$18,677,980	$0	$509,772	$32,837,748	$33,347,520	$0	$509,772	$32,837,748	$33,347,520	95.2%
Emergency Housing & Shelter Programs	0	0	1,395,140	1,395,140	0	0	1,395,140	1,395,140	0	0	1,395,140	1,395,140	4.0%
Commodities	0	0.0	290,843	290,843	0	0	290,843	290,843	0	0	290,843	290,843	0.8%
Subtotal	$0	$164,772	$20,199,191	$20,363,963	$0	$509,772	$34,523,731	$35,033,503	$0	$509,772	$34,523,731	$35,033,503	100.0%
Percent of Benefits and Grants Total	0.0%	16.0%	11.0%	10.0%	0.0%	37.0%	11.0%	10.5%	0.0%	37.0%	9.7%	9.3%	
Child Care (CC)													
Child Care Matching	$5,456,200	$0	$3,954,994	$9,411,194	$5,377,038	$0	$4,856,116	$10,233,154	$5,377,038	$0	$4,856,116	$10,233,154	29.1%
Child Care Discretionary	0	0	7,038,505	7,038,505	0	0	9,001,482	9,001,482	0	0	7,886,765	7,886,765	24.0%
Child Care Mandatory	1,313,990	0	2,086,167	3,400,157	1,313,990	0	2,495,967	3,809,957	1,313,990	0	2,495,967	3,809,957	10.8%
CC Nutrition and Food Service	0	0	9,361,920	9,361,920	0	0	9,934,239	9,934,239	0	0	10,661,639	10,661,639	29.3%
CC Preventation and Stabilization	200,728	832,584	0	1,033,312	200,728	832,584	0	1,033,312	200,728	832,584	0	1,033,312	2.9%
ARRA Child Care	0	0	668,397	668,397	668,397	0	0	668,397	668,397	0	0	668,397	1.9%
Childcare Title IV-E Foster Care	166,196	0	398,309	564,505	166,196	0	398,309	564,505	166,196	0	398,309	564,505	1.6%
Childcare Benefit General Fund Reduction	0	0	0	0	(24,545)	0	0	(24,545)	(24,545)	0	0	(24,545)	-0.1%
Childcare Quality	0	0	98,500	98,500	0	0	98,500	98,500	0	0	98,500	98,500	0.3%
Subtotal	$7,137,114	$832,584	$23,606,792	$31,576,490	$7,701,804	$832,584	$26,784,613	$35,319,001	$7,701,804	$832,584	$26,397,296	$34,931,684	100.0%
Percent of Benefits and Grants Total	37.6%	80.6%	12.9%	15.5%	39.4%	60.4%	8.5%	10.5%	39.4%	60.4%	7.4%	9.3%	
Total Benefits	$10,204,376	$1,032,356	$172,178,986	$183,415,718	$10,625,240	$1,377,356	$299,711,920	$311,714,516	$10,625,159	$1,377,356	$341,569,366	$353,571,937	
Percent of Benefits and Grants Total	53.8%	100.0%	93.9%	90.1%	54.4%	100.0%	95.4%	93.0%	54.4%	100.0%	96.2%	94.0%	
Grants													
TANF Contractor Employ & Training	$8,272,018	$0	$2,668,432	$10,940,450	$8,512,122	$0	$3,907,282	$12,419,404	$8,512,138	$0	$3,907,266	$12,419,404	54.1%
SNAP Contractor Training/Support	317,718	0	922,783	1,240,501	338,362	0	902,139	1,240,501	337,096	0	903,405	1,240,501	5.4%
Commodities	0	0	1,506,494	1,506,494	0	0	1,506,494	1,506,494	0	0	1,506,494	1,506,494	6.6%
Energy & Weatherization	0	0	613,589	613,589	0	0	1,339,551	1,339,551	0	0	1,339,551	1,339,551	5.8%
Refugee	0	0	9,762	9,762	0	0	9,762	9,762	0	0	9,762	9,762	0.0%
Childcare Matching	168,129	0	121,871	290,000	47,291	0	42,709	90,000	47,291	0	42,709	90,000	0.4%
Childcare Discretionary	0	0	3,022,965	3,022,965	0	0	3,147,965	3,147,965	0	0	3,147,965	3,147,965	13.7%
Childcare Quality	0	0	1,319,224	1,319,224	0	0	2,619,347	2,619,347	0	0	1,606,464	1,606,464	9.2%
CACFP Contractor Grants	0	0	857,552	857,552	0	0	857,552	857,552	0	0	857,552	857,552	3.7%
Head Start	11,381	0	98,070	109,451	10,845	0	98,606	109,451	10,845	0	98,606	109,451	0.5%
CC Early Childhood Comprehensive	0	0	127,905	127,905	0	0	127,905	127,905	0	0	127,905	127,905	0.6%
Public Assistance Bureau	0	0	5,000	5,000	0	0	5,000	5,000	0	0	5,000	5,000	0.0%
Subtotal Grants	$8,769,246	$0	$11,273,647	$20,042,893	$8,908,620	$0	$14,564,312	$23,472,932	$8,907,369	$0	$13,552,680	$22,460,049	
Percent of Benefits and Grants Total	46.2%	0.0%	6.1%	9.9%	45.6%	0.0%	4.6%	7.0%	45.6%	0.0%	3.8%	6.0%	

HB 645 Funding

HCSD received about $112 million in ARRA funding for FY 2009 through FY 2011 through HB 645 in the 2009 Legislative Session. Nearly all of the appropriation was federal funds for benefits with some of the federal funds and the related general fund match available for administration and staff support. The legislature also made some general fund appropriations in HB 645.

Legislative Action and the Governor's Reductions

As mentioned in the agency overview, the legislature allocated general fund via HB 645 for provider rate increases. The Early Childhood Bureau received general fund of $224,740 for provider rates in FY 2010 and FY 2011. Also, as noted in the benefit discussion, the legislature also lowered child care general fund and replaced it with ARRA funding for the 2011 biennium and included language in HB 645 allowing the division to include general fund to replace the additiona one-time federal funding in the development of its 2013 biennium budget. This switch is not on the ARRA table (located on the next page) because it nets to zero.

Additional general fund was provided by the legislature to support $1.5 million over the biennium for energy, homeless prevention, and emergency food and shelter; and $500,000 over the biennium for food bank support, of which over $200,000 remains to be spent.

As noted in the figure below, the Governor reduced the child care provider rate appropriation by $224,740 in FY 2011 and reduced the energy, homeless prevention, and emergency food and shelter appropriation by $293,740 as part of 17-7-140, MCA reductions made in April 2010. As of this writing, over $560,000 remains to be spent in these appropriations.

Remaining Balance

Of the $112 million HB 645 appropriation, about $37 million remains. The largest amount, over $12 million, is fo SNAP benefits that must be used by March 2012. Over $12 million remains in weatherization funds that must be spen by March 2012. The division expects to fully spend these amounts.

There are TANF ARRA funds of over $1.3 million for subsidized employment support that are not expected to be spen because contractors were not able to fill all projected slots due to the employment market in their respective area and a the closing date of the grant (September 30, 2010) approached, new subsidized employment projects could not be undertaken, managed, and completed.

Human and Community Services American Recovery and Reinvestment Act Funds FY 2009 - FY 2011

	Total ARRA Funds	FY 2009 Federal Funds Only	General Fund	FY 2010 Federal Funds	FY 2010 Total	General Fund	FY 2011 Federal Funds	FY 2011 Total	Expenditures FY 2009 - FY 2011	Balance As of Nov. FY2010	Spent or Obligated by:
Intergovernmental Services											
Food Bank Support	$500,000	$0	$247,209	$0	$247,209	$41,889	$0	$41,889	$289,098	$210,902	June 2011
Food Distribution	51,000	0	0	0	0	0	7,800	7,800	7,800	$43,200	December 2010
Emergemcy Food Assistance	234,447	42,131	0	93,249	93,249	0	99,067	99,067	234,447	$0	
Homeless Prevention $1,500,000	1,206,260	0	675,895	0	675,895	171,996	0	171,996	847,891	358,369	June 2011
Governor Reduction: $293,740											
Rapid Rehousing	3,731,327	0	0	1,805,181	1,805,181	0	563,366	563,366	$2,368,547	1,362,780	July 2012
Community Servies Block Grant	4,697,685	197,323	0	2,958,282	2,958,282	0	1,542,080	1,542,080	$4,697,685	$0	
Weatherization	27,467,047	0	0	9,745,293	9,745,293	0	5,686,605	5,686,605	$15,431,898	$12,035,149	March 2012
Subtotal Intergovernmental Services	$37,887,766	$239,454	$923,104	$14,602,005	$15,525,109	$213,885	$7,898,918	$8,112,803	$23,877,366	$14,010,400	
Public Assistance Bureau											
SNAP Administration	$670,424	$19,053	$0	$377,641	$377,641	$0	$208,579	$208,579	$605,273	$65,151	December 2010
SNAP Benefits	57,000,000	4,446,106	0	21,841,508	21,841,508	0	10,054,749	10,054,749	36,342,363	20,657,637	June 2012
TANF Benefits	4,894,474	0	0	3,149,044	3,149,044	0	1,727,930	1,727,930	4,876,974	17,500	December 2010
TANF Subsidized Employment	5,069,871	0	0	2,342,147	2,342,147	0	1,475,798	1,475,798	3,817,944	1,251,927	September 2010*
TANF Short Term Benefits	196,266	0	0	0	0	0	121,914	121,914	121,914	74,352	September 2010*
Subtotal Public Assistance Bureau	$67,831,035	$4,465,159	$0	$27,710,340	$27,710,340	$0	$13,588,970	$13,588,970	$45,764,468	$22,066,567	
Early Child Care Bureau											
Child Care Discretionary Fund	$5,747,006	$514,061	$0	$3,006,713	$3,006,713	$0	$1,780,057	$1,780,057	$5,300,832	$446,174	September 2011
Child Care Provider Rates	449,480	0	224,740	0	224,740	224,740	0	224,740	224,740	224,740	
Governor Reduction: Provider Rates	(224,740)	0	0	0	0	(224,740)	0	(224,740)	0	(224,740)	
Subtotal Early Child Care Bureau	$5,971,746	$514,061	$224,740	$3,006,713	$3,231,453	$0	$1,780,057	$1,780,057	5,525,572	446,174	
Total for Hunan and Community Seravices	$111,690,547	$5,218,674	$1,147,844	$45,319,058	$46,466,902	$213,885	$23,267,945	$23,481,830	$75,167,406	$36,523,141	

* The remaing balances are not expected to be spent.

Data source DPHHS and SABHRS Nov. 28, 2010

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table
Human And Community Services

Program Funding		Base FY2010	% of Base FY2010	Budget FY2012	% of Budget FY2012	Budget FY2013	% of Budget FY2013
01000	Total General Fund	$ 30,868,237	13.3%	$ 30,968,203	8.4%	$ 30,903,549	7.6%
	01100 General Fund	30,868,237	13.3%	30,968,203	8.4%	30,903,549	7.6%
02000	Total State Special Funds	1,408,638	0.6%	2,386,162	0.6%	2,385,460	0.6%
	02375 6901-02 Indrct Activty Prog 02	317,383	0.1%	979,356	0.3%	978,654	0.2%
	02688 6901-Tanf Overpayments	35,000	0.0%	35,000	0.0%	35,000	0.0%
	02698 69010-Prevention&Stabilization	832,584	0.4%	832,584	0.2%	832,584	0.2%
	02772 Tobacco Hlth & Medicd Initiative	58,899	0.0%	29,450	0.0%	29,450	0.0%
	02974 Univ Low Income Energy Assistanc	164,772	0.1%	509,772	0.1%	509,772	0.1%
03000	Total Federal Special Funds	199,503,302	86.1%	334,025,691	90.9%	374,977,663	91.8%
	03066 81.042 Bpa	477,979	0.2%	477,979	0.1%	477,979	0.1%
	03096 Discretionary Child Care	11,565,843	5.0%	15,372,194	4.2%	13,244,686	3.2%
	03109 Tanf Benefits	19,042,560	8.2%	26,155,259	7.1%	26,796,196	6.6%
	03135 Hopwa Help Plus	582,158	0.3%	582,158	0.2%	582,158	0.1%
	03236 Child Nutrition	10,119,901	4.4%	10,716,829	2.9%	11,425,827	2.8%
	03250 Child Care Manditory/Moe	2,086,167	0.9%	2,495,967	0.7%	2,495,967	0.6%
	03251 Child Care Admin	580,110	0.3%	576,877	0.2%	578,251	0.1%
	03252 Child Care Matching	4,075,118	1.8%	4,897,078	1.3%	4,897,078	1.2%
	03329 Ccdf Arra Discretionary	668,397	0.3%	-	-	-	-
	03382 03 Indirect Activity Prog 02	11,445,872	4.9%	12,130,887	3.3%	12,225,073	3.0%
	03390 Reach	20,317	0.0%	-	-	-	-
	03448 6901-Early Childhood Comp Sys	135,633	0.1%	130,653	0.0%	130,645	0.0%
	03467 6901-Homeless Mgmt Info Systm	66,980	0.0%	66,980	0.0%	66,980	0.0%
	03519 93.045 - Aging Meals 100%	40,625	0.0%	41,987	0.0%	41,964	0.0%
	03523 93.566 - Refugee Soc. Serv	9,216	0.0%	9,216	0.0%	9,216	0.0%
	03530 6901-Foster Care 93.658	398,309	0.2%	398,309	0.1%	398,309	0.1%
	03539 93.600 Headstart	102,621	0.0%	108,282	0.0%	108,267	0.0%
	03543 6901-Foodstamp Outreach 10.561	810	0.0%	810	0.0%	810	0.0%
	03544 10.561 - Fs E & T - 50%	189,915	0.1%	189,915	0.1%	189,915	0.0%
	03545 10.561 - Fs E & T - 100%	264,961	0.1%	264,961	0.1%	264,961	0.1%
	03546 10.561 - Fs Adm - Fed Exp 50%	1,018,407	0.4%	1,091,127	0.3%	1,095,105	0.3%
	03547 10.568 - Emerg Food Assist 100	150,426	0.1%	187,170	0.1%	187,086	0.0%
	03548 10.569 - Food Distr - Fed Exp	1,825,601	0.8%	2,158,412	0.6%	2,160,718	0.5%
	03550 14.231 - Emerg Shelter - Hud 5	395,272	0.2%	395,272	0.1%	395,272	0.1%
	03552 81.042 - Weather Ben 100%	2,410,774	1.0%	4,010,774	1.1%	4,010,774	1.0%
	03571 93.566 - Off Ref Reset Adm 10	2,698	0.0%	2,698	0.0%	2,698	0.0%
	03572 93.568 - Lieap Blk Grt Adm	14,927,771	6.4%	29,739,827	8.1%	29,741,257	7.3%
	03573 93.569 - Csbg Adm	3,019,062	1.3%	3,427,625	0.9%	3,427,625	0.8%
	03580 6901-93.778 - Med Adm 50%	352,543	0.2%	354,846	0.1%	354,920	0.1%
	03669 Doe Region 8	103,713	0.0%	103,713	0.0%	103,713	0.0%
	03677 6901-Cacfp 10.558 & 10.560	407,216	0.2%	439,580	0.1%	462,338	0.1%
	03678 6901-Food Stamp Benefits	112,139,033	48.4%	216,337,085	58.9%	257,940,893	63.2%
	03679 6901-Hopwa Cfda# 14-241	447,990	0.2%	518,141	0.1%	518,141	0.1%
	03965 Csfp	429,304	0.2%	643,080	0.2%	642,841	0.2%
Grand	Total	$ 231,780,177	100.0%	$ 367,380,056	100.0%	$ 408,266,672	100.0%

The costs of this division are driven by the provision of benefits and the staff and contracted providers that deliver them throughout the state. The majority of funding for HCSD, 91.8%, comes from federal sources and is used for the direct provision of benefits and/or the programs supporting client recipients of the benefits.

General fund provides 7.6% of the division's funding. It represents about half of the funding for offices of public assistance; supports the required TANF and child care maintenance of effort (MOE) requirements; and is used as match for federal programs such as Medicaid and SNAP eligibility determination, and child care benefits.

State special revenue is primarily used in the delivery of childcare and energy and weatherization services, and comprises the prevention and stabilization fund and the universal systems benefits funds.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	30,868,237	30,868,237	61,736,474	99.78%	231,780,177	231,780,177	463,560,354	59.76%
Statewide PL Adjustments	1,213,611	1,136,915	2,350,526	3.80%	1,130,931	1,129,830	2,260,761	0.29%
Other PL Adjustments	(624,518)	(612,476)	(1,236,994)	(2.00%)	134,266,723	175,154,440	309,421,163	39.89%
New Proposals	(489,127)	(489,127)	(978,254)	(1.58%)	202,225	202,225	404,450	0.05%
Total Budget	**$30,968,203**	**$30,903,549**	**$61,871,752**		**$367,380,056**	**$408,266,672**	**$775,646,728**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					2,122,512					2,117,859
Vacancy Savings					(958,932)					(958,703)
Inflation/Deflation					(30,533)					(27,210)
Fixed Costs					(2,116)					(2,116)
Total Statewide Present Law Adjustments		**$1,213,611**	**$63,250**	**($145,930)**	**$1,130,931**		**$1,136,915**	**$62,264**	**($69,349)**	**$1,129,830**
DP 20009 - Child Care Devel & Food Pgm Grant Incr	0.00	0	0	5,627,179	5,627,179	0.00	0	0	4,230,979	4,230,979
DP 20012 - TANF Cash Benefit Increase	0.00	0	0	5,688,695	5,688,695	0.00	0	0	6,329,569	6,329,569
DP 20013 - SNAP Benefit Increases	0.00	0	0	104,198,052	104,198,052	0.00	0	0	145,801,860	145,801,860
DP 20014 - Non DofA Rent Adjustment - HCSD	0.00	45,252	3,510	89,199	137,961	0.00	57,294	4,556	115,346	177,196
DP 20015 - TANF Second Chance Homes	0.00	0	0	44,429	44,429	0.00	0	0	44,429	44,429
DP 20016 - TANF Family Economic Security	0.00	0	0	469,525	469,525	0.00	0	0	469,525	469,525
DP 20017 - TANF Employment Programs	0.00	0	0	965,000	965,000	0.00	0	0	965,000	965,000
DP 20018 - Weatherization and Other IHSB Increases	0.00	0	345,000	2,583,610	2,928,610	0.00	0	345,000	2,583,610	2,928,610
DP 20019 - LIEAP Grant Increase	0.00	0	0	14,803,255	14,803,255	0.00	0	0	14,803,255	14,803,255
DP 20020 - Restore OT/Holidays Worked	0.00	22,758	8,652	65,135	96,545	0.00	22,758	8,652	65,135	96,545
DP 55141 - 17-7-140 Reduction-PAB Operation Efficiencies	0.00	(42,983)	0	0	(42,983)	0.00	(42,983)	0	0	(42,983)
DP 55142 - 17-7-140 Reduction-Child Care Operation Efficiency	0.00	(24,545)	0	0	(24,545)	0.00	(24,545)	0	0	(24,545)
DP 55143 - 17-7-140 Eliminate Child Care RR Network Contract	0.00	(75,000)	0	0	(75,000)	0.00	(75,000)	0	0	(75,000)
DP 55144 - 17-7-140 Reduction-Centralize Child Care Referrals	0.00	(150,000)	0	0	(150,000)	0.00	(150,000)	0	0	(150,000)
DP 55145 - 17-7-140 Reduction-Child Care RR Agency Re-org	0.00	(150,000)	0	0	(150,000)	0.00	(150,000)	0	0	(150,000)
DP 55146 - 17-7-140 Reduction-Dual Elig for Child Care & SNAP	0.00	(200,000)	0	0	(200,000)	0.00	(200,000)	0	0	(200,000)

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55147 - 17-7-140 Eliminate Child Care Consumer Ed Contract	0.00	(50,000)	0	0	(50,000)	0.00	(50,000)	0	0	(50,00
Total Other Present Law Adjustments	**0.00**	**($624,518)**	**$357,162**	**$134,534,079**	**$134,266,723**	**0.00**	**($612,476)**	**$358,208**	**$175,408,708**	**$175,154,4**
Grand Total All Present Law Adjustments	**0.00**	**$589,093**	**$420,412**	**$134,388,149**	**$135,397,654**	**0.00**	**$524,439**	**$420,472**	**$175,339,359**	**$176,284,27**

Program Personal Services Narrative

For the Human and Community Services Division, the statewide present law adjustments and the personal services discussion are included in this section. All other present law adjustments listed above as well as all new proposals will be discussed in the related subprograms.

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- **Pay Plan Exceptions** – There are no exceptions to the pay plan across the divisions of DPHHS.
- **Program Specific Obstacles** – Several occupations relative to HCSD have a historical high turnover rate, such as social workers, social service specialists, and eligibility specialists due to high case/workloads, stress, and burnout. Throughout the interim, HCSD addressed its workforce in the context of the economic downturn and the vacancy savings imposed in the 2009 session. The greatest impact was at the statewide Offices of Public Assistance (OPA) where they experienced high employee turnover and vacancies due to the increased inquiries and applications for public assistance and subsequent difficult workloads and stressful work environments. HCSD implemented options to help address stress and burnout including: offering limited amounts of overtime, adjusting how work was assigned, and allowing some positions to have a 4-day workweek to provide a break from the workplace.
- **Vacancy** – While ARRA funds associated with public assistance helped minimize the length of time vacant positions needed to be held open, the ongoing vacancies, which have increased over time, contribute to delays in client application processing and delays in delivery of client benefits, further increasing staff stress.
- **Legislatively Applied Vacancy Savings** – The 7% vacancy savings was addressed at the agency level. Each division was assigned a target amount that was managed at the agency level considering critical needs and resources.
- **Pay/Position Changes** – There were four positions that were upgraded and received a pay change. The job profile for a management analyst, grants coordinator, and program manager were updated to better fit the duties. An administrative support position had supervisory duties added.
- **Retirements** –HCSD has 237 out of 446 employees, or 53.1% of its workforce who are eligible for retirement. The division estimates that 31 could retire in the 2013 biennium for an anticipated liability of $274,505.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals	Fiscal 2012					Fiscal 2013				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 20101 - Make Permanant Temporary and Modified HMK FTE										
02	5.00	0	103,985	134,240	238,225	5.00	0	103,223	135,002	238,225
DP 55402 - 4% Personal Svs GF Bud Reduction										
02	0.00	(489,127)	453,127	0	(36,000)	0.00	(489,127)	453,127	0	(36,000)
Total	**5.00**	**($489,127)**	**$557,112**	**$134,240**	**$202,225**	**5.00**	**($489,127)**	**$556,350**	**$135,002**	**$202,225**

Sub-Program Details

PUBLIC ASSISTANCE 01

Sub-Program Proposed Budget

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	435.32	0.00	5.00	440.32	0.00	5.00	440.32	440.32
Personal Services	20,076,324	1,071,401	238,225	21,385,950	1,065,678	238,225	21,380,227	42,766,177
Operating Expenses	4,061,328	61,025	(36,000)	4,086,353	101,536	(36,000)	4,126,864	8,213,217
Grants	12,195,713	1,478,954	0	13,674,667	1,478,954	0	13,674,667	27,349,334
Benefits & Claims	132,143,662	109,886,747	0	242,030,409	152,131,429	0	284,275,091	526,305,500
Total Costs	**$168,477,027**	**$112,498,127**	**$202,225**	**$281,177,379**	**$154,777,597**	**$202,225**	**$323,456,849**	**$604,634,228**
General Fund	22,931,462	1,214,880	(489,127)	23,657,215	1,150,226	(489,127)	23,592,561	47,249,776
State/Other Special	411,282	66,760	557,112	1,035,154	66,820	556,350	1,034,452	2,069,606
Federal Special	145,134,283	111,216,487	134,240	256,485,010	153,560,551	135,002	298,829,836	555,314,846
Total Funds	**$168,477,027**	**$112,498,127**	**$202,225**	**$281,177,379**	**$154,777,597**	**$202,225**	**$323,456,849**	**$604,634,228**

Sub-Program Description

The Public Assistance Bureau:

- Administers Montana's Temporary Assistance to Needy Families (TANF) program, including the WoRC contracts for TANF work activity case management
- Administers the state Refugee Assistance program
- Determines eligibility for all Medicaid coverage groups
- Determines eligibility for the Supplemental Nutrition Assistance Program (SNAP), and administers contracts for SNAP employment and training services and nutrition education services

There are 467.32 FTE in FY 2010 listed for the entire division. 435.32 FTE work in the Public Assistance Bureau

There are 388.32 FTE, including 40 supervisors, 16 county directors, and 332.32 staff working on eligibility in OPAs throughout the state. In addition, there are 17 FTE training, monitoring, and assisting OPAs throughout the state.

Increases in the Budget

Increases in personal services for the biennium included in the Governor's request are:

- $2.1 million in statewide present law adjustments for personal services that is the net of about $3.9 million total funds offset by about $1.8 million in vacancy savings
- Nearly $0.5 million in a new proposal for state special revenue and federal funds to support eligibility workers for the Healthy Montana Kids program

The requested increase over the biennium for operations includes a $0.3 million total funds request for rent in non-state owned buildings, primarily for OPAs throughout the state. This increase would be partially offset by reductions in:

- Statewide present law reductions of about $66,000 for inflation/deflation and fixed operating costs
- A $72,000 operations reduction contained in the new proposal for the 4% personal services general fund reduction (DP 55402)

The budget increase in the Public Assistance Bureau is primarily due to federal benefits, the largest of which are in the SNAP and TANF programs. The requested increase for SNAP benefits is over $250 million and the requested increase for TANF cash assistance benefits is $12 million. Additional requests for increases within TANF funds include:

- $1.9 million for TANF employment programs
- About $1.0 million for the family economic security program
- About $89,000 in support of second chance homes

Reductions to the Budget

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

The full 5% plan was discussed in the HCSD overview. Reductions that impact the public assistance subprogram are:

- $978,254 in DP 55402 for a 4% reduction in personal services that does not reduce personal services. The actual reduction is a $72,000 reduction in operating costs primarily related to printing, postage and supplies. The balance of the proposal is a funding switch which reduces general fund that supports OPA eligibility staff by $906,254 and increases state special revenue related to the Healthy Montana Kids Plus program by the same amount.
- $85,966 in DP 55141 for Public Assistance Bureau (PAB) operations efficiencies

There is also a general fund reduction of about $0.7 million over the biennium that is not in the executive budget and is presented here for legislative consideration. This reduction is:

- $715,692 to reduce the TANF maintenance of effort (MOE) expenditures
  - Potential impact: States are federally required to spend general fund at 75% of the TANF block grant. If a state spends general fund beyond the required MOE, it helps avoid federally assessed penalties when federal work participation requirements are below standard. HCSD would have to manage the MOE and the state's work participation requirements to avoid possible sanctions or penalties.

Legislative Options

LFD has developed a "Reference Book" that lists options that legislators may use to identify opportunities to reduce or reclaim general fund. LFD staff included an option to reduce $2 million general fund over the biennium that is related to funding that has historically been appropriated beyond the required MOE in both the TANF and Child Care Programs by past legislatures. At the time the list of options was being developed, staff estimated about $1 million for each program.

The required MOE for TANF is about $13.1 million. As noted in the above 5% reduction discussion, the division has recommended a reduction of over $715,000 for the biennium in TANF MOE general fund.

Should the legislature wish to pursue further reductions to the TANF MOE, the fund would need to be reassessed during session in light of any legislative reductions to the general fund that could impact services related to the TANF MOE and any potential penalties. There is further discussion of this in the following TANF MOE discussion.

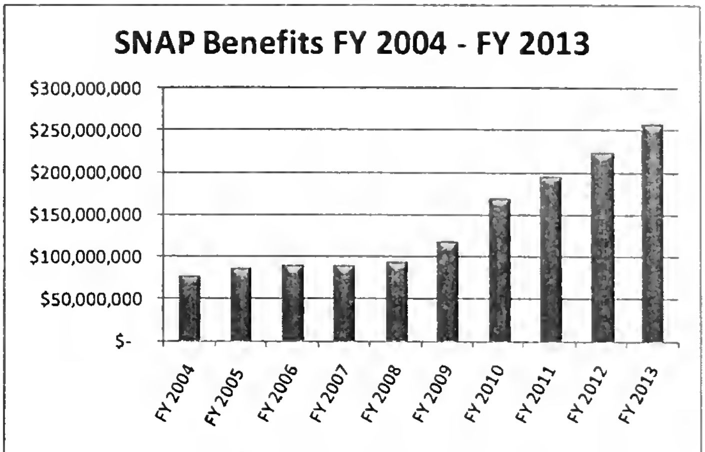
The discussion of the child care MOE is in the child care subprogram later in this analysis.

Major Programs

The major programs of the Public Assistance Bureau are the Supplemental Nutrition Assistance Program (SNAP) and the Temporary Assistance to Needy Families (TANF) program. Both programs have a benefit program as well as programs that deliver supportive services to benefit recipients. Additionally, the eligibility function works in communities throughout the state to determine eligibility for SNAP, TANF, refugee assistance, and 40 Medicaid groups including Healthy Montana Kids (HMK) Plus.

The Supplemental Nutrition Assistance Program (Food Stamps)

The federal SNAP benefits are the largest benefit expenditure of HCSD. As shown in the figure below, the economic downturn and increased federal support has resulted in a substantial increase in benefits since FY 2008. Benefits at the end of FY 2010 were over $170.2 million and the average monthly caseload was 48,968. The projected need for FY 2011 is over $196 million with an average monthly caseload of over 57,000. While Montana's economy may improve as the biennium progresses, the amount of improvement is not expected to decrease the need for SNAP benefits by FY 2013. The division estimates an annual benefit use of $225 million by FY 2012, which would support an average monthly caseload of over 65,000; and $257 million in FY 2013, which would support an average monthly caseload of nearly 75,000.



Actual Benefits With Estimates for FY 2011 - FY 2013

The Governor requests an increase of $250 million in federal SNAP authority for the 2013 biennium to address the projected increase in SNAP program enrollment.

Temporary Assistance for Needy Families (TANF)

The TANF program is not an entitlement program, but rather a program that is funded by a capped grant that has a major general fund requirement attached to it.

As discussed earlier, the major components of the TANF program contained in the Governor's budget account for about $45 million in federal cash assistance benefits and $5.8 million general fund over the beinnium. The following discussion of TANF comprises an overview of the caseload, a brief background of the program, and the status of the TANF block grant.

<u>Funding and Requirements</u>

The TANF program is funded by the TANF block grant that was created in 1996 by federal legislation commonly known as "welfare reform". Under the TANF program, states receive a set level of federal funding to support public assistance programs. Montana's annual federal grant is estimated to be about $38 million for each year of the biennium. In order to receive the TANF federal funds, a state must continue to expend state and local resources at a level known as the "maintenance of effort" or "MOE." Montana's annual MOE is about $13.1 million.

States must also meet other federal requirements, including work participation rates (WPR), data reporting requirements, limiting the beneficiary to a maximum 60 months per lifetime of benefits, and assignment of child support to the state by the beneficiary. Funds must be expended to achieve one of four TANF purposes: 1) provide assistance to needy families; 2) end dependency of needy parents by promoting job preparation, work, and marriage; 3) prevent and reduce out of wedlock pregnancies; and 4) encourage the formation and maintenance of two-parent families.

Tribal entities may choose to have their members receive services through the state TANF plan or choose to operate their own TANF plan. In Montana four tribes, the Confederated Salish and Kootenai, the Fort Belknap Indian Community, the Blackfeet, and the Chippewa Cree at Rocky Boys Reservation have chosen to implement a Tribal TANF plan. Section 53-4-210, MCA governs the provision of a portion of the state maintenance of effort funds to tribes operating a Tribal TANF plan, and provides that $100,000 general fund from existing appropriations be transferred to new Tribal TANF plans each fiscal year of the biennium following implementation of the Tribal TANF plan and, when certain service population requirements are met, for on-going fiscal support. While there are no new Tribal plans at this time, the division's negotiated general fund support of Tribal programs, about $1.5 million per year, is an on-going part of the

TANF MOE. The division meets this requirement through the provision of cash grants and a myriad of support programs.

Status of the TANF Block Grant

The figure below shows the balance of the grant through 2013.

The top section of the table shows the balance of the grants and benefit expenditures. The balance of the items reflects allowable transfers. TANF may also be transferred to the child care block grant and/or the Title XX, Social Services Block Grant, but the transfer may not exceed 30% of the grant award. Montana has historically transferred a large amount of TANF funds to the child care block grant and some funds to Title XX for use in the foster care and/or developmental disabilities programs.

TANF Block Grant
Items in Bold Print Indicate Requests for the 2011 Biennium

Categories of Expenditures	Projected FY 2010	Projected FY 2011	Projected FY 2012	Projected FY 2013
Actual/Projected Balance of Grant	$43,041,629	$43,862,925	$30,126,973	$21,483,460
Grant Amount	38,322,294	38,039,116	38,039,116	38,039,116
Beginning Balance	$81,363,923	$81,902,041	$68,166,089	$59,522,576
Expenditures:				
Benefits				
Cash Assistance	$14,506,663	$18,607,247	$22,131,841	$22,772,715
Child Support Supplemental (HB 529)*	638,546	615,795	615,795	615,795
Total Benefits	$15,145,209	$19,223,042	$22,747,636	$23,388,510
TANF Share of DPHHS Indirect Costs				
Total cost allocation	$5,714,630	$5,835,272	$6,060,079	$6,234,982
New or Continued Uses of the TANF Grant				
Second Chance Homes DP 20015	$255,571	$300,000	$300,000	$300,000
Subsidized Employment (20% of Actual Costs)	568,868	219,331	0	0
Summer Food Program (20% of Actual Costs)	0	30,479	0	0
Summer Youth Employment (20% of Actual Costs)	16,669	157,812	0	0
TANF System (removal from TEAMS)	319,573	7,937,672	0	0
MOST After School Program	375,540	375,000	375,000	375,000
Family Economic Security Plan DP 20016	1,530,475	2,000,000	2,000,000	2,000,000
Child Care for Working Caretaker Relatives	466,704	485,072	466,704	466,704
Food Banks	850,000	850,000	100,000	100,000
DOLI: WoRC Contracts**	0	1,134,803	585,537	585,537
Post Employment Program Benefit	527,436	1,252,350	1,252,350	1,252,350
Accelerated Employment Services and Retention	56,088	200,000	56,088	56,088
Tanf Employment Programs DP 20017	0	0	965,000	965,000
Emerg Assist & Prg 03 Foster Care Benefits	2,000,000	2,100,000	2,100,000	2,100,000
Total New or Continued TANF Uses	$6,966,924	$17,042,519	$8,200,679	$8,200,679
Total Expenditures	$27,826,763	$42,100,832	$37,008,393	$37,824,170
Transfers:				
Child Care	$7,676,010	$7,676,010	$7,676,010	$7,676,010
Title XX program 03	1,998,226	1,998,226	1,998,226	1,998,226
Total Transfers	$9,674,236	$9,674,236	$9,674,236	$9,674,236
Expenditures and Transfers	$37,500,999	$51,775,068	$46,682,629	$47,498,406
Ending Balance	$43,862,925	$30,126,973	$21,483,460	$12,024,170

* Includes HB 529 child support passthrough and disregard, and may include some general fund payments

**Department of Labor and Industry

Sources: Division spreadsheet and SABHRS (12/3/2008)

Role of the General Fund

As stated, in order to receive TANF federal funds, a state must continue to expend state and local resources at a level known as the "maintenance of effort" or "MOE." Montana's annual required MOE is about $13.0 million, but the legislature has supported about $14.0 million in expenditures over the past several biennia due mainly to the support of Tribal programs.

TANF MOE FY 2011 Budget	
Categories of Expenditures	Budget
Uses of General Fund	
TANF Benefits	$405,062
TANF Supportive Services County	1,141,821
Subtotal	$1,546,883
TANF Employment and Training	
Direct Administration	$460,000
Direct Program Costs	175,000
Workers Compensation for Work Experience Sites	75,000
Contracted Providers	
WoRC Contracts	5,353,775
DOLI WoRC Contract	1,959,343
DOLI Rent	76,356
Other TANF Projects	
TANF Records Access Mgmt. Project	232,185
TANF System	85,000
Tribal Programs	
Fort Belknap Indian Community Transition (MOE)	256,156
Rocky Boy Transition	335,182
Blackfeet Tribal New	896,000
Subtotal	$9,903,997
Total General Fund	$11,450,880
Other Funds	
System Development	$250,000
Children's Basic Coverage - Health Resources Division	300,000
Child Care MOE	1,313,990
State Program	856,042
Subtotal	$2,720,032
TOTAL All Funds	$14,720,912
MOE Required at 75% of the TANF Block Grant	$13,129,342
State MOE over/(under) the Required MOE	$1,591,570

The largest part of the MOE general fund is nearly $10.0 million for administration and provision of the state and Tribal programs. Over $8.0 million of that amount is for contracted provider contracts and additional support services that provide employment, training, and other work activities throughout the state.

As mention earlier, the division recommended use of about $0.7 million over the biennium of TANF MOE as a way to reduce general fund. States are federally required to spend general fund at 75% of the TANF block grant. If a state spends general fund beyond the required MOE, it helps avoid federally assessed penalties when federal work participation requirements are below standard. HCSD would have to manage the MOE and the state's work participation requirements to avoid possible sanctions or penalties.

LFD COMMENT

The figure above shows MOE at $13.1 million and about $1.0 million over the required MOE. However, MOE spent over the minimum is used to calculate a caseload reduction credit to avoid penalties in times when a state's TANF recipients have not met the work participation requirements of the program. Penalties are assessed at the federal level based upon percentages of the block grant plus an increase in the state's required MOE percentage to 80% of the grant.

Additional MOE saved Montana from a penalty last biennium. Penalties are substantial, and as noted in the LFD analysis for the 2009 Legislative Session, Montana was facing a total potential penalty of $1.5 million from FY 2009 through FY 2013, nearly $917,000 of which would have been in the 2013 biennium. Montana's work participation rates were just a fraction into the penalty zone. However, because of the additional MOE support for the TANF block grant no penalty was assessed.

As mentioned earlier, should the legislature wish to pursue further reductions to the TANF MOE, the MOE fund would need to be reassessed during session in light of any legislative reductions to the general fund that could impact services related to the TANF MOE and the status of Montana's TANF program work participation rates and any potential penalties.

LFD ISSUE

The Sustainability of the TANF Block Grant and Legislative Priorities

As shown in the figure above, division staff projects the TANF block grant declining to just over $12.0 million by the end of FY 2013.

Consequentially, there are policy and fiscal issues for the legislature to consider when discussing the expenditure of federal TANF funds. For example:

- What, if any, level of TANF block grant reserve or ending fund balance does the legislature wish to maintain?
- What level of cash assistance does the legislature wish to fund?

As shown in the "TANF Block Grant" table, several uses of the TANF funds are included under "New or Continued Uses of the TANF Grant". The legislature has a range of choices on whether and how much to fund the range of services listed under that heading. Therefore, the legislature may wish to examine these program and consider the following:

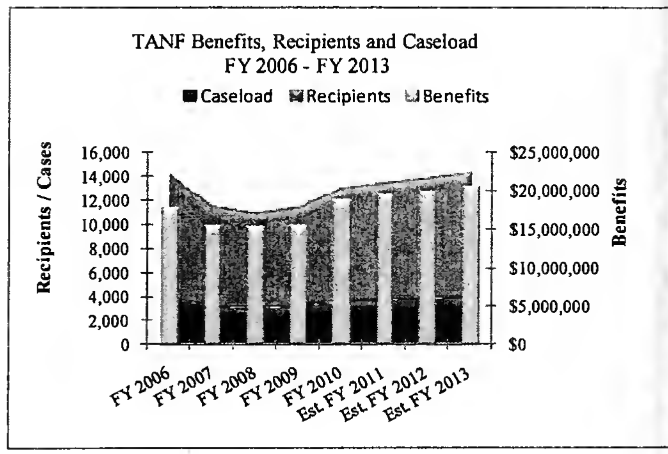
- What are the benefit sof the programs?
- What is the funding level the legislature wishes to maintain with the following categories associated with new proposals?
  - Second Chance Homes ($300,000 each year)
  - Family Economic Security Plan ($2.0 million each year)
  - TANF Employment Programs ($965,000 each year)

Would the legislature want to consider maintaining the one-time-only funding of $750,000 to food banks that the 2009 Legislature appropriated? If so, given the decreasing grant funds, what programs would the legislature reduce?

Cash Assistance and Caseload

The figure below shows the decline and increase of Montana's TANF caseload from FY 2006 through FY 2010 and the projected increases for the 2013 biennium.

The increase shown on the chart in FY 2010 reflects the economic downturn as well as the division's response to actions of Congress and of the 2009 Legislature. The legislature used funding from the federal American Recovery and Reinvestment Act (ARRA) to increase the benefit standard to 33% of the 2009 federal poverty level (FPL) through September 30, 2010 and directed that beginning October 1, 2010 the eligibility standards were to be at or below 30% of the 2006 FPL. It is anticipated that the caseload and benefits will increase at about 3% each year through the 2013 biennium.



Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	22,931,462	22,931,462	45,862,924	97.06%	168,477,027	168,477,027	336,954,054	55.73%
Statewide PL Adjustments	1,212,611	1,135,915	2,348,526	4.97%	1,037,448	1,033,001	2,070,449	0.34%
Other PL Adjustments	2,269	14,311	16,580	0.04%	111,460,679	153,744,596	265,205,275	43.86%
New Proposals	(489,127)	(489,127)	(978,254)	(2.07%)	202,225	202,225	404,450	0.07%
Total Budget	**$23,657,215**	**$23,592,561**	**$47,249,776**		**$281,177,379**	**$323,456,849**	**$604,634,228**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,952,589					1,946,577
Vacancy Savings					(881,188)					(880,899)
Inflation/Deflation					(31,954)					(30,678)
Fixed Costs					(1,999)					(1,999)
Total Statewide Present Law Adjustments		**$1,212,611**	**$63,250**	**($238,413)**	**$1,037,448**		**$1,135,915**	**$62,264**	**($165,178)**	**$1,033,001**
DP 20012 - TANF Cash Benefit Increase	0.00	0	0	5,688,695	5,688,695	0.00	0	0	6,329,569	6,329,569
DP 20013 - SNAP Benefit Increases	0.00	0	0	104,198,052	104,198,052	0.00	0	0	145,801,860	145,801,860
DP 20014 - Non DofA Rent Adjustment - HCSD	0.00	45,252	3,510	89,199	137,961	0.00	57,294	4,556	115,346	177,196
DP 20015 - TANF Second Chance Homes	0.00	0	0	44,429	44,429	0.00	0	0	44,429	44,429
DP 20016 - TANF Family Economic Security	0.00	0	0	469,525	469,525	0.00	0	0	469,525	469,525
DP 20017 - TANF Employment Programs	0.00	0	0	965,000	965,000	0.00	0	0	965,000	965,000
DP 55141 - 17-7-140 Reduction-PAB Operation Efficiencies	0.00	(42,983)	0	0	(42,983)	0.00	(42,983)	0	0	(42,983)
Total Other Present Law Adjustments	**0.00**	**$2,269**	**$3,510**	**$111,454,900**	**$111,460,679**	**0.00**	**$14,311**	**$4,556**	**$153,725,729**	**$153,744,596**
Grand Total All Present Law Adjustments	**0.00**	**$1,214,880**	**$66,760**	**$111,216,487**	**$112,498,127**	**0.00**	**$1,150,226**	**$66,820**	**$153,560,551**	**$154,777,597**

<u>DP 20012 - TANF Cash Benefit Increase -</u> This request would increase federal TANF appropriation authority by over $12.0 million for the biennium to fund a projected 3% increase per year in the TANF benefit caseload. Benefits are calculated at the benefit level of 33% of the 2009 federal poverty level or $504 for a family of three.

<u>DP 20013 - SNAP Benefit Increases -</u> This request is for an increase of nearly $250 million in federal appropriation authority for the biennium to fund the projected caseload increases for SNAP. The increase in the SNAP benefit amount is attributed largely to the economic downturn and changes at the federal level allowing expansion of eligibility and benefit amounts.

DP 20014 - Non DofA Rent Adjustment - HCSD - The Governor requests $315,157 additional authority for the biennium, including $102,546 general fund, $8,066 state special revenue funds, and $204,454 federal funds to pay the net increase in leases of non-state owned buildings located throughout the state. Some leases have been reduced for the next biennium and some remain the same. This request represents the net difference.

DP 20015 - TANF Second Chance Homes - This request is for federal TANF authority of $88,858 over the biennium for Second Chance Homes. The request continues approval from last session to assist with a home whose startup was delayed until part way through FY 2010. Funding would remain at the level approved in the 2009 legislative session. This proposal ensures that, on a statewide basis, there are 26 beds available for TANF eligible teenage mothers who are at high risk of negative outcomes.

DP 20016 - TANF Family Economic Security - This request is for $939,050 federal TANF appropriation authority for the biennium to maintain the authority approved in the 2009 legislative session for the Family Economic Security initiative. This project works to increase the financial security of low-income families who leave TANF but are still not financially independent.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: In August of 2006 the DPHHS began the Family Economic Security Initiative to increase the financial security of low-income families. This request retains the funding at the $2.0 million established for the 2011 biennium. Funded strategies may include subsidized employment, tailored financial literacy, and/or specifically targeted training.

Goals: The Family Economic Security Program is designed to support TANF eligible families' continued economic stability and ensure a permanent exit from poverty through earning, learning, and asset development.

Performance Criteria:
1) Number of individuals completing an economic development services package.
2) Number of individuals completing education/training in efforts to secure employment at competitive wages.

Milestones:
1) Annually renew or procure project contracts through competitive process.
2) Continue gathering data from contractors via quarterly and year end reporting.
3) Annually establish funding allotments per contract.

Obstacles: This project entails a continuing process of identifying successful strategies. Each client requires an individual plan that varies in length. This makes outcome evaluation difficult.

Risks: If the cost of the TANF cash assistance increases, this program is at risk of discontinuation.

LFD COMMENT

The goals and performance criteria indicate only that the division would count the number of individuals completing an economic development services package and completing education/training in efforts to secure employment at competitive wages.

LFD COMMENT CONT.

The milestones submitted with the 2011 request tell the legislature that the division intends to gather data from contractors on a quarterly basis but do not provide measureable outcomes that would enable the legislature to evaluate the effectiveness of the proposal beyond the number enrolled. For example, the contracted amounts for the FY 2010 base year were nearly $1.4 million and 421 clients participated. That is $3,288 per client, for which there is no data for the legislature to understand the value or validity of the request.

The legislature may wish to establish its own performance criteria and report topics, should it want to approve this request.

DP 20017 - TANF Employment Programs - This Governor requests $1,930,000 federal appropriation authority for the biennium to redefine the Accelerated Employment Support Program (AESP) to include the Subsidized Employment Program (SEP) that was funded as a pilot project with ARRA funds and is used to secure employment and move participants toward improved financial security.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: In January of 2008 the Department of Public Health and Human Services implemented the TANF AESP to provide a subsidy or stipend to an employer to compensate for training costs of an unskilled or under skilled worker. This project would now include SEP for families eligible for TANF benefits as well as those families qualifying for TANF related services. Statistics from the SEP Program indicate 444 individuals were placed in a subsidized employment placement between July 1, 2009 through September 30, 2010. Out of the 444 individuals, 183 were hired into permanent employment with the SEP employer, an additional 25 found other employment, and the remainder gained skills and experience. The average hourly wage ranged from $9.64 to $14.06.

Goals and Performance Criteria:
Promoting employment and providing the assistance necessary to help families and individuals meet basic needs and work their way out of poverty.

Performance criteria would measure progress via reports outlining the number of individuals who enter a subsidized employment placement as well as the number of individuals who obtain permanent employment following completion of the subsidized employment placement. TANF Unit personnel will monitor the TANF employment programs.

Milestones:
Significant milestones for the proposal include the following key activities:

- Define the SEP Program criteria and guidelines prior to program implementation
- Annually procure or renew project contracts via a competitive process and establish funding allotments per contract
- Provide training of contractors prior to program implementation
- Establish monthly and year-end reporting requirements.

Obstacles: One of the challenges to implementing this proposal is defining the program criteria, guidelines, and target population using lessons learned in the subsidized employment pilot. Once the program is defined, contracts must be procured and funding allocated. Tools to acquire the required performance criteria must be developed and implemented. Based on the individuality of each client and employer, specific employment plans must be developed that are unique to each individual and employer.

Risks: Without the TANF employment proposal the state could see a potential growth in the number of TANF cash assistance households based on lack of employment opportunities. As with all TANF funded projects, should TANF cash assistance costs increase, support programs could be reduced or discontinued.

LFD COMMENT The division has provided sufficient data in the justification for the legislature to understand and evaluate the pilot program upon which this funding request is based. However, the milestones have no timeframes. For example, the legislature cannot tell if the program would be launched in the first or last month of the 2013 biennium or if any contracts would be issued in the 2013 biennium. The legislature may wish to establish its own milestone should it wish to approve the request.

DP 55141 - 17-7-140 Reduction-PAB Operation Efficiencies - This request reduces the general fund base budget for the Public Assistance Bureau by $42,983 each year of the biennium. It represents the 5% budget reduction required by the Governor per 17-7-140 in April 2010 and continues the operations reduction implemented in FY 2011. Reductions would be made through efficiencies in the areas of travel, conferences, supplies, newspaper ads, cell phone use, postage, and contracting.

New Proposals
The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
	Fiscal 2012					Fiscal 2013				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 20101 - Make Permanant Temporary and Modified HMK FTE										
01	5.00	0	103,985	134,240	238,225	5.00	0	103,223	135,002	238,22
DP 55402 - 4% Personal Svs GF Bud Reduction										
01	0.00	(489,127)	453,127	0	(36,000)	0.00	(489,127)	453,127	0	(36,00
Total	5.00	($489,127)	$557,112	$134,240	$202,225	5.00	($489,127)	$556,350	$135,002	$202,22

DP 20101 - Make Permanant Temporary and Modified HMK FTE - This request is for $207,208 state special revenue and $269,242 federal revenue funds over the biennium to make five positions permanent to maintain eligibility functions. The 2009 legislature approved 12 temporary full time equivalent (FTE) positions to implement the Healthy Montana Kids (HMK) Plan. HCSD received three of the temporary positions to help address expanded CHIP eligibility for children from 175% to 250% of the federal poverty level. In addition, two modified positions were hired in 2011 because of the increased number of applications. HMK Plus (Medicaid expansion) has received the bulk of the increases in eligibility determinations and current eligibility staff is needed to continue to process applications. The positions are funded with federal dollars and I-155 state special revenue funds.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Through August 2010, 14,250 additional children have been enrolled in HMK Plus. An average of 2.5 children per case equates to 5,700 additional cases that OPA staffs are managing. Caseloads, including HMK Plus and other public assistance programs, have risen to over 400 cases per case manager compared to the 226 cases per manager that are considered reasonable caseloads. Current staffs have increased their caseload to capacity. A minimum of five additional permanent FTE are needed to adequately manage the new caseload. These FTE are currently working under modified positions.

Goals and Performance Criteria:
The goal is to timely and accurately process eligibility applications for HMK Plus children to assist low income families with medical coverage. Performance criteria include the federal regulation to process the completed application within 45 days unless the child has a disability and maintain at least a 97% accuracy rate.

Milestones:
The milestone would be to continue monthly reporting for HMK Plus children via the CHIMES Medicaid system.

Obstacles and Risks: Due to the complexity of work, the high caseload per manager, and dual entry into two eligibility systems for other public assistance programs, there could be FTE retention problems without the additional FTE.

HCSD would have to manage for the potential to have extended delays in application and renewal processing that could result in eligible children not being able to receive the medical care they need in a timely manner to avoid any penalty related to the states accuracy rate. Should the rate fall below 97%, the federal FMAP is reduced by 1% for every percent the state is below the required 97% rate.

LFD COMMENT

This request is associated with a request in the Health Resources Division that also addresses eligibility options.

The FTE related to this request are allocated to the Health Resources Division (HMK) as well as HCSD for Medicaid eligibility. The 2009 Legislature funded 24.00 FTE for HMK administration. 12.00 FTE were permanent and the remaining 12.00 were funded on a one-time basis. The 24.00 FTE funded were allocated between the divisions. Both division budgets include base budget funding for HMK FTE and both division budgets include funding for new FTE. The figure below shows the temporary FTE allocated to both divisions, the permanent FTE funded in the base budgets, and the new proposals.

Funding for FTE to Administer HMK

Division	2011 Biennium Temp FTE	Base Budget	New Proposal	2013 Bienniu Total
Health Resources	9.00	9.00	15.00	24.00
Human & Community Services	3.00	3.00	5.00	8.00
Total	12.00	12.00	20.00	32.00

The Economic Downturn
As noted in the personal services discussion and in the agency overview, the greatest impact of the economic downturn has been at the statewide OPAs where they experienced high employee turnover and vacancies due to the increased inquiries and applications for public assistance and subsequent difficult workloads and stressful work environments. The staffing dilemma also contributes to the difficulty of managing federally required timeliness and accuracy standards for eligibility.

PAB consistently carries 18-20 vacant positions for staff that are the front line of entry for Montanans into the public assistance programs as well as for over 40 Medicaid groups including Healthy Montana Kids (HMK) Plus. The Social Service Specialists and Eligibility Assistant workers begin the eligibility process, verify that each applicant meets the necessary qualifications, and manage the case throughout its time in the system including changes and annual redeterminations. The present caseload to direct eligibility staff ratio is averaging 261 cases per person. Prior to the economic downturn and the implementation of HMK, staff was meeting federal timeliness and accuracy requirement with caseloads of 226 cases per worker. However, because of the high turnover there have been times when the caseload has been up to 500 for experienced staff while new employees trained.

LFD COMMENT CONT.

Reports
Given the relationship of this request to the goals and objectives and on-going legislative concern about the stress on the OPA's, the legislature may wish to have a presentation by the Public Assistance Bureau during the budget discussion covering: 1) an update on the actual caseload and application growth, caseload to eligibility worker ratio, and the pressure points; 2) the status of HMK and health insurance reform; and 3) the status of the CHIMES system.

Consideration
In the discussion of risks in the request justification, the division notes potential penalties related to timeliness and accuracy. Should the rate fall below 97% of the federal standard, the federal FMAP is reduced by 1% for every percent the state is below the required 97% rate. A 1% change in FMAP would change the state matching rate funds required. Across all programs this could be about $8 to $8.5 million annually.

<u>DP 55402 - 4% Personal Svs GF Bud Reduction -</u> This request is the 4% general fund personal services reduction applied to most agencies. It does not reduce personal services. The actual reduction is a $72,000 reduction over the biennium in operating costs primarily related to printing, postage and supplies that would be saved due to the implementation of a records access management program (RAMP), a paperless filing system at the OPAs. The balance of the proposal is a funding switch which reduces general fund that supports OPA eligibility staff by $906,254 over the biennium and increases state special revenue related to the Healthy Montana Kids Plus program by the same amount due to the increased number of children that are being served by Healthy Montana Kids (HMK) Plus program (Medicaid for children) as indicated by the random moment time studies that track the time eligibility staff works on services areas such as Medicaid.

Sub-Program Details

ENERGY AND COMMODITIES 02

Sub-Program Proposed Budget

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

ub-Program Proposed Budget Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
TE	17.00	0.00	0.00	17.00	0.00	0.00	17.00	17.00
ersonal Services	960,011	159,537	0	1,119,548	160,854	0	1,120,865	2,240,413
perating Expenses	1,590,342	2,330,116	0	3,920,458	2,332,119	0	3,922,461	7,842,919
quipment & Intangible Assets	80,600	7,000	0	87,600	7,000	0	87,600	175,200
rants	2,120,083	725,962	0	2,846,045	725,962	0	2,846,045	5,692,090
enefits & Claims	20,363,963	14,669,540	0	35,033,503	14,669,540	0	35,033,503	70,067,006
Total Costs	**$25,114,999**	**$17,892,155**	**$0**	**$43,007,154**	**$17,895,475**	**$0**	**$43,010,474**	**$86,017,628**
eneral Fund	52,255	22,758	0	75,013	22,758	0	75,013	150,026
tate/Other Special	164,772	353,652	0	518,424	353,652	0	518,424	1,036,848
ederal Special	24,897,972	17,515,745	0	42,413,717	17,519,065	0	42,417,037	84,830,754
Total Funds	**$25,114,999**	**$17,892,155**	**$0**	**$43,007,154**	**$17,895,475**	**$0**	**$43,010,474**	**$86,017,628**

ub-Program Description

nergy and Commodity services are delivered through:

- The Community Services block grant, which is used by ten Human Resource Development Councils to provide a wide range of community-based human services
- The Low-Income Energy Assistance Program (LIEAP) and Weatherization program
- The DOE Weatherization program including funding for weatherization from five other sources
- The Emergency Shelter grants program
- The Housing Opportunities for Persons with AIDS grant
- Three USDA commodities programs. In addition, the bureau stores and distributes USDA commodity foods to elderly sites with congregate meals, and stores USDA commodity foods for school lunch programs

ow-Income Energy and Weatherization Programs

he largest part of the budget, nearly $42 million over the biennium, is the low-income energy and weatherization rogram benefits, primarily due to:

- Low-income Energy Assistance (LIEAP) benefit payments that cover part of a household's total heating costs for the winter
- Weatherization programs that focus on education and support for weatherization needs to a home by providing services ranging from energy education to furnace repairs/replacements, installing insulation, weather stripping, and winterization of doors and windows

ligibility for weatherization and heating assistance is based on income and assets. To be eligible, an individual cannot ake more than 200 percent of the 2009 federal poverty level. For example, a family of 3 could qualify with an annual come of $36,620. Both homeowners and renters may apply for these programs. If a household receives benefits from upplemental Security Income (SSI) or the TANF program, it may qualify automatically for weatherization or fuel sistance.

ibal LIEAP Programs

here are six reservations in Montana that manage LIEAP programs independently of the state administered program scribed above. The six reservations report benefit amounts and households served directly to the U.S. Department of ealth and Human Services. These programs are operated on the Northern Cheyenne, Fort Belknap, Fort Peck, Rocky

Boys, Flathead, and Blackfeet Reservations. Low-income energy assistance for the Crow Reservation is administered through the District VII HRDC in Billings under the state LIEAP Program.

Increases in the Budget

Personal Services and Operations

Increases in personal services for the biennium are due to:

- $0.1 million in statewide present law adjustments for personal services that is the net of about $0.2 million total funds offset by about $0.1 million in vacancy savings
- $0.1 million in a present law adjustment to restore overtime and holidays worked
- Weatherization benefits and grant requests, which contain funds in support of IT systems and contracts to non profits for training and program delivery. Available funding supports increases of $1.9 million total funds over the biennium for contracted IT consultants that work on the systems that are used to track, manage, report, and pay claims for LIEAP and $1.5 million federal funds for contracts to non-profits including the Human Resource Development Councils and Montana State University, mostly for weatherization and weatherization training.

Benefits and Grants

As discussed in the division overview, the budget increase for this division is primarily due to federal benefits for LIEAP as well as federal and state special revenue funding for weatherization, housing community services block grant projects, and emergency food assistance. The increases over the biennium are:

- $29.6 million for LIEAP energy assistance funding
- $5.9 million for weatherization and other projects

State FY	LIEAP Grant	LIEAP Benefit Payments	Households	Average Benefit
2000	$7,224,938	$5,365,890	14,281	$376
2001	13,518,119	7,618,883	16,824	453
2002	11,054,356	6,357,928	16,976	375
2003	11,852,430	7,419,600	17,550	423
2004	11,236,752	8,921,955	19,187	465
2005	12,781,838	9,766,078	20,463	477
2006	18,805,528	13,268,755	21,221	625
2007	11,528,631	7,309,184	19,254	380
2008	15,532,289	9,904,054	18,829	526
2009	29,629,101	20,004,253	22,448	879
2010	$28,493,938	$20,394,958	$28,054	$727

*Projected as of 12/03/2010

The difference between the grant and benefit amount is due to the required amounts spent on weatherization projects and allowed for administration.

LIEAP Growth

The figure shows the growth in benefit payments and households from FY 2000 through FY 2010 and reflects the historic high in benefit payments that occurred in FY 2009 as a result of the infusions of federal LIEAP funds.

Intergovernmental Human Services Bureau (IHSB) estimates that for the 2010-2011 heating season, LIEAP assistance could reach $384 per household based on the current FY 2011 federal grant of about $15 million listed in the present congressional continuing resolution. Depending upon action at the federal level, additional federal funds may become available if included in the final federal appropriation bill. LIEAP funds utilized in the weatherization program could increase by approximately $2.4 million resulting in an additional 363 homes being weatherized during the next fiscal year.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	52,255	52,255	104,510	69.66%	25,114,999	25,114,999	50,229,998	58.40%
Statewide PL Adjustments	0	0	0	0.00%	63,745	67,065	130,810	0.15%
Other PL Adjustments	22,758	22,758	45,516	30.34%	17,828,410	17,828,410	35,656,820	41.45%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	**$75,013**	**$75,013**	**$150,026**		**$43,007,154**	**$43,010,474**	**$86,017,628**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					105,614					106,988
Vacancy Savings					(42,622)					(42,679)
Inflation/Deflation					753					2,756
Total Statewide Present Law Adjustments		**$0**	**$0**	**$63,745**	**$63,745**		**$0**	**$0**	**$67,065**	**$67,065**
DP 20018 - Weatherization and Other IHSB Increases	0.00	0	345,000	2,583,610	2,928,610	0.00	0	345,000	2,583,610	2,928,610
DP 20019 - LIEAP Grant Increase	0.00	0	0	14,803,255	14,803,255	0.00	0	0	14,803,255	14,803,255
DP 20020 - Restore OT/Holidays Worked	0.00	22,758	8,652	65,135	96,545	0.00	22,758	8,652	65,135	96,545
Total Other Present Law Adjustments	**0.00**	**$22,758**	**$353,652**	**$17,452,000**	**$17,828,410**	**0.00**	**$22,758**	**$353,652**	**$17,452,000**	**$17,828,410**
Grand Total All Present Law Adjustments	**0.00**	**$22,758**	**$353,652**	**$17,515,745**	**$17,892,155**	**0.00**	**$22,758**	**$353,652**	**$17,519,065**	**$17,895,475**

DP 20018 - Weatherization and Other IHSB Increases - This is a request to increase total biennium spending authority by $5,857,220, which includes $690,000 state special revenue funds and $5,167,220 federal funds. These funds would provide support for six federally funded grants including: Department of Energy Weatherization (DOE); Community Services Block Grant (CSBG); Housing Opportunities for Persons with AIDS (HOPWA); the Emergency Food Assistance Programs (TEFAP); Food Distribution Program on Indian Reservations (FDPIR); Commodity Supplemental Food Program (CSFP); and one state special revenue fund, Universal Systems Benefit Weatherization (USB), which comes from consumer charges on utility bills and is passed on for energy assistance and weatherization activities. Funds support programs in the Intergovernmental Human Services Bureau (IHSB).

DP 20019 - LIEAP Grant Increase - This request would increase federal spending authority by over $29.6 million for the biennium for the LIEAP grant. Funds would be used to either supplement low-income energy assistance benefits or to weatherize homes in an effort to defray heating costs for Montana families.

DP 20020 - Restore OT/Holidays Worked - This request is for $45,415 general fund and $193,090 total funds each year of the biennium to restore zero-based authority for overtime for truck drivers to deliver food across the state; Office of Public Assistance staff to catch up on processing applications when application numbers increase beyond the amount that can be handled in a normal workday, and Child Care staff to work in the quality program across the state.

Sub-Program Details

CHILD CARE 04

Sub-Program Proposed Budget

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	15.00	0.00	0.00	15.00	0.00	0.00	15.00	15.00
Personal Services	813,755	29,187	0	842,942	29,169	0	842,924	1,685,866
Operating Expenses	739,206	10,551	0	749,757	14,595	0	753,801	1,503,558
Grants	5,727,097	1,225,123	0	6,952,220	212,240	0	5,939,337	12,891,557
Benefits & Claims	30,908,093	3,742,511	0	34,650,604	3,355,194	0	34,263,287	68,913,891
Total Costs	**$38,188,151**	**$5,007,372**	**$0**	**$43,195,523**	**$3,611,198**	**$0**	**$41,799,349**	**$84,994,872**
General Fund	7,884,520	(648,545)	0	7,235,975	(648,545)	0	7,235,975	14,471,950
State/Other Special	832,584	0	0	832,584	0	0	832,584	1,665,168
Federal Special	29,471,047	5,655,917	0	35,126,964	4,259,743	0	33,730,790	68,857,754
Total Funds	**$38,188,151**	**$5,007,372**	**$0**	**$43,195,523**	**$3,611,198**	**$0**	**$41,799,349**	**$84,994,872**

Sub-Program Description

The Early Childhood Services Bureau:

- Manages the funds which pay for child care for TANF participants and low-income working families
- Contracts with 11 resource and referral agencies to administer child care eligibility, provider recruitment, training, and technical assistance
- Administers the Child and Adult Care Food Program, which provides nutrition education and reimbursement to day care providers for the cost of meals served to eligible children and adults
- Administers the Head Start State Collaboration grant
- Administers the Early Childhood Comprehensive Systems Grant
- Manages the funds which pay for quality child care initiatives including Best Beginnings STARS to Quality and professional development

The child care services are administered by the division with support from community offices throughout the state. Child care activities are primarily funded by the federal Child Care Development Fund (CCDF) block grant. The activities are linked to the TANF requirements that states provide child care assistance to TANF families when the family is engaged in activities designed to assist the family in becoming self-sufficient. Services also include providing subsidies for low-income families, and licensing and registration of child care providers (administered by the Quality Assurance Division) and activities related to assuring quality child care. States are required to expend a minimum of 4% of the funding of the child care block grant on child care quality activities in addition to targeted quality funds.

The child care block grant consists of three federal funding streams known as the mandatory, matching, and discretionary funds. The mandatory fund requires that states expend state and local funds at a minimum level known as the maintenance of effort (MOE) and the state must obligate all mandatory funding in one year to receive funds. Montana's child care block grant MOE is $1,313,990 per year. Child care block grant MOE may count toward two federal requirements. State funds spent for child care block grant MOE may also count toward TANF MOE.

Under the child care matching funds, states are reimbursed for eligible child care expenditures at the federal medical assistance participation (FMAP) rate and must provide state and local funds to match the federal funds. Montana's FMAP rate is about 66 % and the state share of expenses under child care matching funds is about 34%. Matching funds are available provided that the state both obligates all its mandatory funds by the end of the federal fiscal year and, within the same fiscal year, expends the state funds in an amount that equals the state MOE. Additionally, states may

ransfer a portion of the TANF grant to the child care discretionary fund. Once transferred, TANF funds take on the spending attributes and restrictions of the fund into which they were transferred.

The majority of childcare funds are expended to provide subsidies to low-income families. Montana currently provides services to families at or below 150 percent of the federal poverty level (FPL) and employs a sliding fee scale as required by federal law to determine the parent's share of the costs. As the family income approaches 150% of the FPL the families share of the costs increases. Once the family income exceeds 150% of the FPL, the family is ineligible for the program.

Increases in the Budget

The major increase in the budget is a $9.9 million federal fund benefit and grant request of:

- About $2.7 million in grants to local agencies for child care services throughout the state
- About $7.2 million in benefits for:
  - $1.9 million for nutrition services
  - $5.3 million in child care scholarships and assistance

Increases in personal services for the biennium are due to about $58,000 in statewide present law adjustments for personal services that is the net of about $128,000 total funds offset by about $70,000 in vacancy savings.

Caseload

As shown in the figure, the child care caseload has increased in both clients served and related costs over the years. Increases from FY 2005 through FY 2008 are primarily due to a stable demand for child care services and legislative support of the cost of increased operations for providers as well as the division's need to maintain child care reimbursement rates for parents at the 75th percentile of the annual market rate survey and maintaining eligibility at 150% of the current federal poverty level in accordance with its state plan to assure grant requirements of affordability and accessibility of care to the public are met.

Child Care Caseload and Expenditures			
Year	Unduplicated Families*	Unduplicated Children*	Annual Expenditures
FY 2005	3,202	5,350	$ 17,896,246
FY 2006	3,210	5,124	18,258,433
FY 2007	3,120	5,285	19,313,017
FY 2008	3,111	5,124	20,192,185
FY 2009	3,189	5,218	22,077,629
FY 2010	3,478	5,754	26,377,845

* Unduplicated monthly averages for CCDF

Data Source. DPHHS

The growth through FY 2009 and FY 2010 reflects increased participation of child care for families impacted by the economic downturn, reduced co-payments supported by ARRA funding provided by the 2009 Legislature, the number of families working at lower paying employment making them eligible for child care assistance and the number of TANF families eligible for child care, and an increased awareness and use of child care by families seeking work or education.

Reductions to the Budget

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

The full 5% plan was discussed in the HCSD overview. Items that impact the $1.3 million of reductions in the Child Care subprogram and are included in the Governor's budget are:

- $49,090 in DP 55142 for Early Childhood Services Bureau (ECSB) operations efficiencies
- $150,000 in DP 55143 to eliminate the Montana Resource and Referral (R & R) Contract
- $300,000 in DP 55144 to centralize child care referrals
- $300,000 in DP 55145 to reorganize the R & R agency
- $400,000 in DP 55146 implement dual eligibility for child care and SNAP
- $100,000 in DP 55147 to eliminate the consumer education contract

These items are discussed in the present law adjustment section below.

Legislative Options

As stated earlier, LFD has developed a "Reference Book" that lists options that legislators may use to identify opportunities to reduce or reclaim general fund. LFD staff included an option to reduce $2 million general fund over the biennium that is related to funding that has historically been appropriated beyond the required MOE in both the TANF and Child Care Programs by past legislatures. At the time the list of options was being developed, staff estimated about $1 million for each program.

As mentioned earlier, the required MOE for child care is just over $1.3 million. However, there are other requirements on child care general fund appropriations including the match for any Title IV-E foster care as well as federal grants and other projects for which the general fund is tied to federal funds. The status of the general fund and any new grants or federal obligations would need to be assessed during the session should the legislature wish to pursue the $1 million reduction.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	7,884,520	7,884,520	15,769,040	108.96%	38,188,151	38,188,151	76,376,302	89.86%
Statewide PL Adjustments	1,000	1,000	2,000	0.01%	29,738	29,764	59,502	0.07%
Other PL Adjustments	(649,545)	(649,545)	(1,299,090)	(8.98%)	4,977,634	3,581,434	8,559,068	10.07%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	**$7,235,975**	**$7,235,975**	**$14,471,950**		**$43,195,523**	**$41,799,349**	**$84,994,872**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012 FTE	Fiscal 2012 General Fund	Fiscal 2012 State Special	Fiscal 2012 Federal Special	Fiscal 2012 Total Funds	Fiscal 2013 FTE	Fiscal 2013 General Fund	Fiscal 2013 State Special	Fiscal 2013 Federal Special	Fiscal 2013 Total Funds
Personal Services					64,309					64,294
Vacancy Savings					(35,122)					(35,125)
Inflation/Deflation					668					712
Fixed Costs					(117)					(117)
Total Statewide Present Law Adjustments		**$1,000**	**$0**	**$28,738**	**$29,738**		**$1,000**	**$0**	**$28,764**	**$29,764**
DP 20009 - Child Care Devel & Food Pgm Grant Incr	0.00	0	0	5,627,179	5,627,179	0.00	0	0	4,230,979	4,230,979
DP 55142 - 17-7-140 Reduction-Child Care Operation Efficiency	0.00	(24,545)	0	0	(24,545)	0.00	(24,545)	0	0	(24,545)
DP 55143 - 17-7-140 Eliminate Child Care RR Network Contract	0.00	(75,000)	0	0	(75,000)	0.00	(75,000)	0	0	(75,000)
DP 55144 - 17-7-140 Reduction-Centralize Child Care Referrals	0.00	(150,000)	0	0	(150,000)	0.00	(150,000)	0	0	(150,000)
DP 55145 - 17-7-140 Reduction-Child Care RR Agency Re-org	0.00	(150,000)	0	0	(150,000)	0.00	(150,000)	0	0	(150,000)
DP 55146 - 17-7-140 Reduction-Dual Elig for Child Care & SNAP	0.00	(200,000)	0	0	(200,000)	0.00	(200,000)	0	0	(200,000)
DP 55147 - 17-7-140 Eliminate Child Care Consumer Ed Contract	0.00	(50,000)	0	0	(50,000)	0.00	(50,000)	0	0	(50,000)
Total Other Present Law Adjustments	**0.00**	**($649,545)**	**$0**	**$5,627,179**	**$4,977,634**	**0.00**	**($649,545)**	**$0**	**$4,230,979**	**$3,581,434**
Grand Total All Present Law Adjustments	**0.00**	**($648,545)**	**$0**	**$5,655,917**	**$5,007,372**	**0.00**	**($648,545)**	**$0**	**$4,259,743**	**$3,611,198**

<u>DP 20009 - Child Care Devel & Food Pgm Grant Incr -</u> This request is for additional federal authority of about $9.9 million over the biennium. The bulk of the request is for Child Care Development Funds that would be used for child care scholarship services and for required quality activities throughout the state. About $1.9 million of the requests would serve nutritional services including the USDA Child and Adult Care Food Program (CACFP), which is an entitlement program with a 2.6% meal reimbursement cost increase annually, as well as anticipated meal service increases. CACFP serves 148 child care organizations at over 220 facilities, including: child care centers, Head Start programs, Boys and Girls Clubs, and after-school programs.

<u>DP 55142 - 17-7-140 Reduction-Child Care Operation Efficiency -</u> This request reduces the general fund base budget for child care services by $49,090. The amount represents the 5% budget reduction required by the Governor per 17-7-140, MCA in April 2010 and continues the operations reduction implemented in FY 2011. Childhood services would make operations reductions in the areas of travel, conferences, supplies, newspaper ads, cell phone use, postage, and contracting that were paid with federal funds. Federal funds made available in these efficiencies would be used for benefits previously paid for with general fund.

<u>DP 55143 - 17-7-140 Eliminate Child Care RR Network Contract -</u> This request reduces the general fund base budget for child care services by $155,000. The amount represents the 5% budget reduction required by the Governor per 17-7-140, MCA in April 2010 and continues the operations reduction implemented in FY2011. The Early Childhood Services Bureau would realize a cost savings by discontinuing the contract to the Child Care Resource & Referral Network and assigning select functions to child care resource and referral agencies.

<u>DP 55144 - 17-7-140 Reduction-Centralize Child Care Referrals -</u> This decision package reduces the general fund base budget for child care referral services by $300,000. This amount represents the 5% budget reduction required by the Governor per 17-7-140, MCA in April 2010 and continues the operations reduction implemented in FY2011. The Early Child hood Services Bureau would establish a centralized child care referral call center using the National Association of Child Care Resource & Referral (R&R) Agencies software product (NACCRRAWare), which allows centralization of operations by connecting the public with expert operators via phone or e-mail.

DP 55145 - 17-7-140 Reduction-Child Care RR Agency Re-org - This request reduces the general fund base budget for child care referral services by $300,000. The amount represents the 5% budget reduction required by the Governor per 17-7-140, MCA in April 2010 and continues the operations reduction implemented in FY2011. The Early Childhood Services Bureau is reorganizing the child care resource and referral services for greater administrative efficiency and reduced contract expense by reducing the number of districts by one.

DP 55146 - 17-7-140 Reduction-Dual Elig for Child Care & SNAP - This decision package reduces the general fund base budget for child care referral services by $400,000. The amount represents the 5% budget reduction required by the Governor per 17-7-140, MCA in April 2010 and continues the operations reduction implemented in FY2011. The Early Childhood Services Bureau would achieve a cost savings by using SNAP eligibility information to more efficiently qualify children of SNAP participating families for child care assistance.

DP 55147 - 17-7-140 Eliminate Child Care Consumer Ed Contract - This decision package reduces the general fund base budget for child care referral services by $100,000. The amount represents the 5% budget reduction required by the Governor per 17-7-140, MCA in April 2010 and continues the operations reduction implemented in FY2011. The Early Childhood Services Bureau would realize cost savings by ending the consumer education contract.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	380.45	380.45	369.65	369.65	380.45	369.65	(10.80)	(2.84%)
Personal Services	18,935,742	19,692,618	19,072,999	19,067,603	38,628,360	38,140,602	(487,758)	(1.26%)
Operating Expenses	5,449,646	5,493,543	5,706,730	5,803,330	10,943,189	11,510,060	566,871	5.18%
Equipment & Intangible Assets	14,240	20,790	14,240	14,240	35,030	28,480	(6,550)	(18.70%)
Grants	6,338,025	6,846,306	6,338,025	6,338,025	13,184,331	12,676,050	(508,281)	(3.86%)
Benefits & Claims	28,554,530	33,920,201	30,109,287	32,556,673	62,474,731	62,665,960	191,229	0.31%
Debt Service	130,912	118,349	130,912	130,912	249,261	261,824	12,563	5.04%
Total Costs	**$59,423,095**	**$66,091,807**	**$61,372,193**	**$63,910,783**	**$125,514,902**	**$125,282,976**	**($231,926)**	**(0.18%)**
General Fund	30,727,782	34,702,045	32,212,586	33,859,974	65,429,827	66,072,560	642,733	0.98%
State Special	2,495,422	2,507,539	2,495,422	2,495,422	5,002,961	4,990,844	(12,117)	(0.24%)
Federal Special	26,199,891	28,882,223	26,664,185	27,555,387	55,082,114	54,219,572	(862,542)	(1.57%)
Total Funds	**$59,423,095**	**$66,091,807**	**$61,372,193**	**$63,910,783**	**$125,514,902**	**$125,282,976**	**($231,926)**	**(0.18%)**

Program Description

The Child and Family Services Division (CFSD) administers child protective services, child abuse and neglect services, prevention services, domestic violence grants, and other programs designed to keep children safe and families strong. CFSD is composed of three bureaus and five regions that administer programs and are advised by Local Family Services Advisory Councils, which serve as the link between local communities and DPHHS. CFSD is the primary user of the statewide Child and Adult Protective Services (CAPS) computer system.

Statutory authority for the program is provided in Titles 41, 42, and 52, MCA, and 45 CFR, Parts 1355, 1356, 1357 and

Program Highlights

Child and Family Services
Major Budget Highlights

- Major expenditures in this $125 million biennium budget include:
  - $62.7 million total funds in support of foster care and subsidized adoption - $32 million general fund
  - $12.7 million in grants for efforts to keep families together and free of violence - $2.9 million general fund
  - $50 million total funds for operations and personal services
- The Governor requests increases over the biennium of about $7.5 million in total funds including:
  - $6.0 million in present law adjustments, including $5.6 million for foster care and subsidized adoption benefits and $0.4 million in operating expenses and overtime
  - $0.7 million in statewide present law adjustments
  - About $0.8 million total funds to continue support services in the Chafee Independent Living Project
- The Governor proposes reductions of:
  - Nearly $1.0 million total funds for a 4% reduction in personal services costs over the biennium
  - $10.3 million total funds with the proposed postponement of the CAPS replacement system (MACWIS)

Program Narrative

Increases to the Budget

The introductory budget comparison table shows a decrease of about $0.2 million when the 2011 and 2013 biennia are compared. However, 2011 biennium appropriations were significantly higher than actual expenditures in the base year of FY 2010. This lower level of expenditures reflected in FY 2010 is continued in the executive budget for the 2013 biennium, but is not reflected in the FY 2011 appropriated level shown in the table. If the influence of the FY 2011 appropriations is removed, the proposed budget actually includes increases over the biennium.

As reflected in the present law adjustments and new proposal tables, the Governor requests increases of about $7.5 million over the biennium in total funds including:

- $6.0 million in present law adjustments for $5.6 million in foster care and subsidized adoption benefits and $0.4 million in operating expenses and overtime
- $0.7 million in statewide present law adjustments for the net of $2.7 million in personal services that is offset by reductions of $1.6 million in vacancy savings, and about $0.4 million in fixed costs and inflation or deflation adjustments
- About $0.8 million total funds to continue support services in the Chafee Independent Living Project

There is a reduction in total funds over the biennium of about $1.0 million for a new proposal to reduce personal services by 4%.

Appropriation versus Actual Expenditures

As shown in the program proposed budget comparison, the base year budget for actual expenditures was $59.4 million. As a consequence of spending less than anticipated in FY 2010, the department transferred unused authority of about $2.2 million general fund and $3.0 million total funds of the FY 2010 appropriation to help fund the agency reorganization and cover budget shortfalls in other divisions. It also transferred about $0.3 million total funds for termination payouts and, according to the department's budget status report, reverted about $250,000 in general fund at year end.

The 2009 Legislature supported the division's request to increase foster care and subsidized adoption funding, which was based on a biennium in which the division had the largest increase in caseloads since 1996. In addition, the division recognized the potential negative impacts on children when family stress increases because of economic distress and factored that into the request. As shown in the caseload discussion, the caseload increased in subsidized adoption, but did not increase as expected in foster care. At the same time, the division responded in FY 2010 with program wide cost-cutting actions to address the economic downturn.

As of this writing, the division projects expenditures to be about $62.5 million at FY 2011 year end, about $3.6 million less than the appropriation.

There is further discussion of the requests to increase the budget in the statewide and present law sections, as well as the new proposal section.

Budget Proposals

The $125 million biennium budget includes:

- $62.6 million total funds in support of foster care and subsidized adoption client caseload
- About $12.6 million in grant funding for programs that support efforts to keep families together and free of violence
- Over $38 million to support personal services for 369.65 FTE that carry out the programs

Summary of the Division Budget, Benefits, and Grants

The following is a brief overview of the executive budget request. There is additional information in the present law and new proposal sections of the program narrative.

As shown in the figure below, foster care, subsidized adoption, activities that keep children safe, family support, and reunification efforts comprise nearly 50% of the total budget. The remaining amount supports the five regional offices, centralized intake (all general fund), and administration.

Child and Family Services Division
Summary of Benefit and Grant Costs and Funding

	Fiscal 2010 Base				Fiscal 2012 Requested				Fiscal 2013 Requested				
	General Fund	State Spec. Rev	Federal Funds	Total Funds	General Fund	State Spec Rev	Federal Funds	Total Funds	General Fund	State Spec. Rev	Federal Funds	Total Funds	Percent Category Total
Total CFSD Budget Request	$30,727,782	$2,495,422	$26,199,891	$59,423,095	$32,212,586	$2,495,422	$26,664,185	$61,372,193	$33,859,974	$2,495,422	$27,555,387	$63,910,783	
Benefits and Claims													
Foster Care	$8,549,153	$2,299,154	$5,935,077	$16,783,384	$9,352,672	$2,299,201	$6,138,884	$17,790,757	$10,371,948	$2,299,260	$6,550,018	$19,221,226	59.0%
* ARRA Benefit General Fund Reduct	($696,639)	0	0	(696,639)	($696,639)	0	0	(696,639)	($696,639)	0	0	(696,639)	-2.1%
Subsidized Adoption	5,962,819	0	6,201,263	12,164,082	6,404,489	0	6,306,977	12,711,466	6,977,364	0	6,751,019	13,728,383	42.2%
In home and Reunification	93,638	0	73,222	166,860	93,714	0	73,146	166,860	93,711	0	73,149	166,860	0.5%
Big Brothers and Sisters	90,002	0	0	90,002	90,002	0	0	90,002	90,002	0	0	90,002	0.3%
Chafee - Independent Living	7,885	0	38,956	46,841	9,669	0	37,172	46,841	9,686	0	37,155	46,841	0.1%
Total Benefits & Claims	$14,006,858	$2,299,154	$12,248,519	$28,554,530	$15,253,906	$2,299,201	$12,556,180	$30,109,287	$16,846,072	$2,299,260	$13,411,341	$32,556,673	100.0%
Percent of Total Budget Request	45.6%	92.1%	46.8%	48.1%	47.4%	92.1%	47.1%	49.1%	49.8%	92.1%	48.7%	50.9%	
Grants													
In home and Reunification	849,116	0	663,980	1,513,096	849,801		663,295	1,513,096	849,779	0	663,317	1,513,096	23.9%
IV-E Pass Through	13,019	0	1,319,976	1,332,995	0	0	1,332,995	1,332,995	0	0	1,332,995	1,332,995	21.0%
Tribal Contracts	441,126	0	1,502,273	1,943,399	441,126	0	1,502,273	1,943,399	441,126	0	1,502,273	1,943,399	30.7%
Domestic Violence	117,684	86,516	746,942	951,142	117,684	86,516	746,942	951,142	117,684	86,516	746,942	951,142	15.0%
Chafee - Independent Living	9,820	0	48,517	58,337	12,042	0	46,295	58,337	12,063	0	46,274	58,337	0.9%
Community Based Challenge	0	0	191,678	191,678	0	0	191,678	191,678	0	0	191,678	191,678	3.0%
Chafee - ETV	0	0	145,000	145,000	0	0	145,000	145,000	0	0	145,000	145,000	2.3%
Access and Visitation	10,771	-	98,920	109,691	10,771	-	98,920	109,691	10,771	-	98,920	109,691	1.7%
Children's Trust Fund	0	92,687	0	92,687	0	92,687	0	92,687	0	92,687	0	92,687	1.5%
Total Grants	$1,441,536	$179,203	$4,717,286	$6,338,025	$1,431,424	$179,203	$4,727,398	$6,338,025	$1,431,423	$179,203	$4,727,399	$6,338,025	100.0%
Percent of Total Budget Request	4.7%	7.2%	18.0%	10.7%	4.4%	7.2%	17.7%	10.3%	4.2%	7.2%	17.2%	9.9%	
Total Benefits and Grants	$ 15,448,393	$ 2,478,357	$ 16,965,805	$ 34,892,555	$ 16,685,330	$ 2,478,404	$ 17,283,578	$ 36,447,312	$ 18,277,494	$ 2,478,464	$ 18,138,740	$ 38,894,698	
Percent of Total Budget Request	50.3%	99.3%	64.8%	58.7%	51.8%	99.3%	64.8%	59.4%	54.0%	99.3%	65.8%	60.9%	
Regional Offices, Centralized Intake, and Administation	$ 15,279,389	$ 17,065	$ 9,234,086	$ 24,530,540	$ 15,527,256	$ 17,018	$ 9,380,607	$ 24,924,881	$ 15,582,480	$ 16,958	$ 9,416,647	$ 25,016,085	
Percent of Total Budget Request	49.7%	0.7%	35.2%	41.3%	48.2%	0.7%	35.2%	40.6%	46.0%	0.7%	34.2%	39.1%	

* This reduction relates to ARRA funds appropriated through HB 645, which reduced general fund by these amounts and replaced it with general fund.

The combined funds of foster care and subsidized adoption, including the ARRA enhanced FMAP general fund reduction, comprise 99% of the benefit costs of the division.

Grants for tribal contracts comprise 30.7% of that category, followed closely by in-home and reunification services a 23.9%. Funding for tribal contracts is used to reimburse tribes for Title IV-E allowable administrative costs of their child welfare programs.

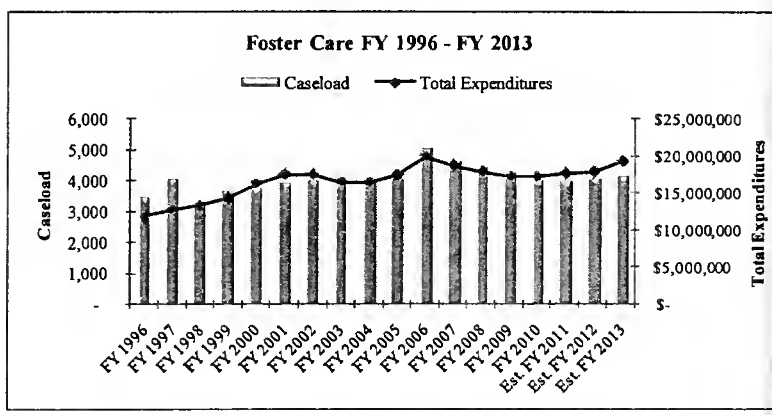
The Children's Trust Fund listed in the grant category is funded from the state special revenue fund called the Child Abuse & Neglect Program. Funding serves Montana's limited prevention and early intervention services. The trust fund is administratively attached to the department and is primarily funded from the Montana income tax check off, divorce filing fees, and the community-based child abuse prevention grant. State and federal mandates guide trust money to support nonprofit, community-based organizations that provide services and activities dedicated to preventing child abuse and neglect statewide, and focus on programs that work with children between birth and 5 years of age. Funds from the trust are used as match for the federal community based resource grant. The $92,687 listed is for grants to be managed by the trust advisory committee.

Caseload

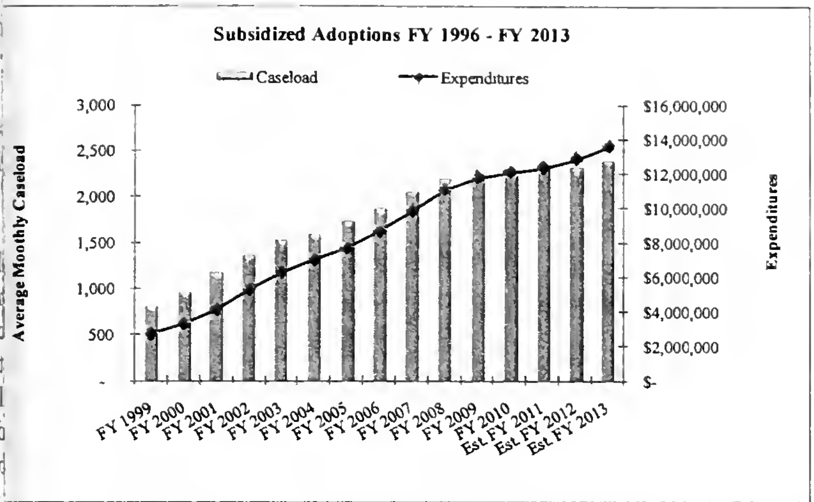
While the economic downturn has led to a nationwide increase in foster care placements, the increase in the caseload did not hit Montana until later in the recession. It was the last quarter of FY 2010 and the beginning of FY 2011 before caseloads began the expected upswing. The following charts show the historical changes in the number of foster care and subsidized adoption clients and related costs.

Foster Care

As shown in the following foster care caseload chart, the caseload and expenditures increased from FY 2000 through FY 2003, which was a period of economic downturn and recovery in Montana. Expenditures increased from $16.1 million in FY 2000 to about $17.3 million for the next two years then returned to $16.2 million in FY 2003 and 2004. In FY 2006 expenditures increased to $19.9 million that, according to the department, was congruent with a surge of adult addictive behavior that was primarily due to methamphetamine, alcohol, and prescription drugs and the related impact on families. The caseloads gradually returned to the $16.4 million level by FY 2010.



However, the chart does not reflect the increase of about 2.7% that primarily occurred in the last quarter of FY 2010. Since that time, the caseload has ranged from 1,634 in July 2010 to 1,687 in October 2010. During this time period, the average caseload increased by 65 children, or about a 4.2% increase over the average FY 2009 caseload. Both LFD and CFSD have anticipated a possibility that the caseload could increase in FY 2011 through FY 2013 due to the economic downturn as it did in the FY 2000 – FY 2002 timeframe. CFSD is requesting $3.4 million total funds to support a caseload increase over the base of 6.0% in FY 2012 and an additional 8.0% in FY 2013.



Subsidized Adoption

Subsidized adoption expenditures are projected to follow the historical pattern of increase as reflected in the chart. The main reason for the increase in subsidized adoption expenditures is the relationship of the number of children available for adoption who would enter with new cost plans and the number already in the program, who may or may not need an increase in their cost plans. Subsidies are negotiated at a rate that can be no more than $10 a month less than the foster care rate. As families come into the program, they generally negotiate a higher cost plan for subsidies than those children already in the program. CFSD estimates that ıere are currently about 300 children available for adoption whose parents' rights have been terminated. The division is ;questing $2.1 million total funds to support a projected caseload increase of 4.5% over the base in FY 2012 and an dditional 8.0% in FY 2013.

'oals and Objectives

)13 Biennium Goal

he Legislative Finance Committee recommends the legislature consider the following critical goal and performance easurement(s) as part of its decisions on the executive's budget requests for this program.

FSD could be impacted by the following overarching critical goals that LFD staff, the agency, and the Joint ppropriations Subcommittee for Health and Human Services will follow through the budget cycle.

- o Implement components of federal health insurance reform
  - Integrate Medicaid eligibility determination in the health insurance exchange design
  - Evaluate the potential for a single system to determine Medicaid eligibility
  - Estimate the cost of Medicaid eligibility expansion for consideration by the 2013 Legislature
- o Continue to monitor implementation of Healthy Montana Kids
- o Review impact of economy on workload and programs
- o Review effect of broad based budget reductions (such as proposed 4% FTE/personal services reductions)

ıe greatest impact of the goals on CFSD would be the continuing impact of the economic downturn, which could create mily stress leading to incidents that are reported to centralized intake. An increase in the follow-up investigations and ɔrk on any substantiated cases would increase caseloads and services.

6 Reduction Plan

atute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The llowing summarizes the plan submitted for this program.

ıe total 5% reduction plan for CFSD is about $2.6 million over the biennium. There is one request included in the ›vernor's budget of:

- o $644,878 in DP 55403 for a 4% personal services reduction

ere are reductions of just over $1.9 million over the biennium that are included in the overall plan by the division, but : not in the Governor's budget.

- o $180,012 to eliminate Big Brothers and Big Sisters funding

The combined funds of foster care and subsidized adoption, including the ARRA enhanced FMAP general fund reduction, comprise 99% of the benefit costs of the division.

Grants for tribal contracts comprise 30.7% of that category, followed closely by in-home and reunification services at 23.9%. Funding for tribal contracts is used to reimburse tribes for Title IV-E allowable administrative costs of their child welfare programs.

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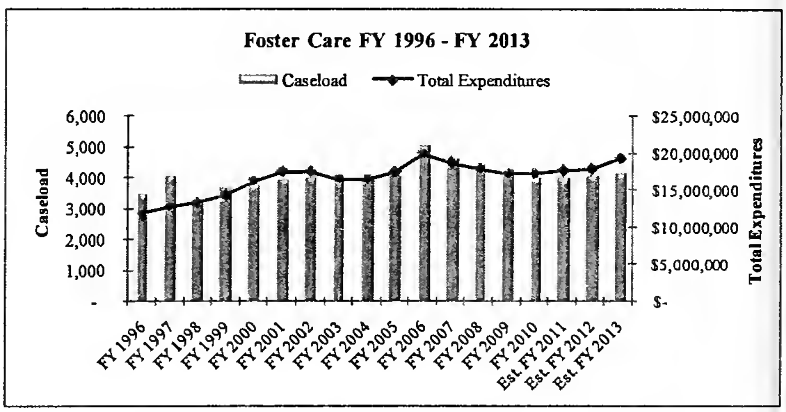

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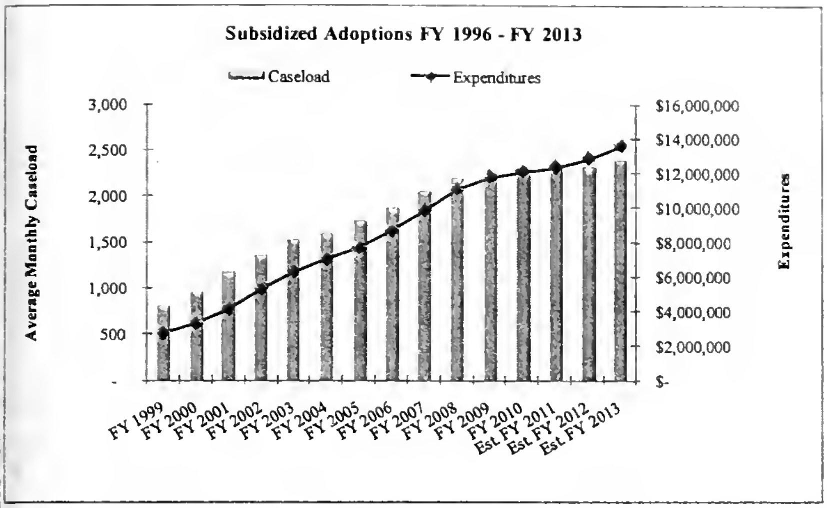

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Goals and Objectives

2013 Biennium Goal

The Legislative Finance Committee recommends the legislature consider the following critical goal and performance measurement(s) as part of its decisions on the executive's budget requests for this program.

CFSD could be impacted by the following overarching critical goals that LFD staff, the agency, and the Joint Appropriations Subcommittee for Health and Human Services will follow through the budget cycle.

- Implement components of federal health insurance reform
  - Integrate Medicaid eligibility determination in the health insurance exchange design
  - Evaluate the potential for a single system to determine Medicaid eligibility
  - Estimate the cost of Medicaid eligibility expansion for consideration by the 2013 Legislature
- Continue to monitor implementation of Healthy Montana Kids
- Review impact of economy on workload and programs
- Review effect of broad based budget reductions (such as proposed 4% FTE/personal services reductions)

The greatest impact of the goals on CFSD would be the continuing impact of the economic downturn, which could create family stress leading to incidents that are reported to centralized intake. An increase in the follow-up investigations and work on any substantiated cases would increase caseloads and services.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

The total 5% reduction plan for CFSD is about $2.6 million over the biennium. There is one request included in the Governor's budget of:

- $644,878 in DP 55403 for a 4% personal services reduction

There are reductions of just over $1.9 million over the biennium that are included in the overall plan by the division, but are not in the Governor's budget.

- $180,012 to eliminate Big Brothers and Big Sisters funding

    - Potential impact: The number of services provided by the seven Big Brothers and Big Sisters organizations receiving funds could be reduced. Services include actions to prevent or remedy neglect, abuse or exploitation of the youth, or promote positive development through establishing a one-to-one relationship with an adult. The programs receiving $11,667 each year are: Butte, Great Falls, Flathead County, Gallatin County, Missoula, and Helena. Park County received $20,000 each year.
- $30,920 to reduce the subsidized adoption medical subsidy by 25%
    - Potential impact: Funds primarily support orthodontia services. These services and others not covered by Medicaid for children placed adoptively would be reduced.
- $124,688 to reduce operating expenses by 2%
- Potential impact: The division would most likely reduce travel and communications expenditures.
- $1,077,990 to reduce or eliminate foster care benefits by lowering the rate paid to providers for high cost placement from $60 day to $20 a day; reducing urine analysis by 50%; and eliminating clothing and diaper allowances, transportation, respite, in-home services, and case management. (High cost placement cost refers to a daily rate of $45.50 for intensive level supervision services, plus $60.00 per day for additional staff needed in severe cases.)
    - Potential impact: Families would have to make up the cost differences. This reduction could reduce the number of families considering foster care or subsidized adoption for these children, and providers might not be able to serve a child of intense need at the lower rate in the event a family could not make up the difference. As of this writing 33 youth are in high cost services.
- $531,966 to reduce in-home and reunification services
    - Potential impact: Both federal and state statutes require CFSD to make "reasonable efforts" to prevent foster care placement and to reunify the child/children with the parents. CFSD contracts for services to achieve "reasonable efforts" in preventing children from entering foster care and enabling children to safely return home. CFSD would have to manage contracted services to ensure statute is met and penalties are avoided.

Other Reductions

The Montana Automated Child Welfare Information System (MACWIS)

The Governor also put the MACWIS system on hold as part of the 17-7-140 reductions, which garners a potential $10.3 million in Long Range Information Technology (LRIT) funding for the legislature to use for other purposes. As part of the Governor's 17-7-140, MCA reduction plan, the Office of Budget and Program Planning (OBPP) would introduce a bill to propose the postponement of MACWIS and the reversion of $10.3 million of LRIT funds to the general fund.

2007 Legislature

The system was initially funded in HB 4 during the 2007 May Special Session and was being designed to replace the antiquated Child and Adult Protective Services system (CAPS) used in the monitoring of foster care cases, adoption cases, payment for service to providers, and reporting. CAPS was being replaced because it does not allow for the efficient or timely enhancements needed to meet the changing federal requirements attached to foster care and subsidized adoption tracking associated with federal Title IV-E funding. The proposed budget for MACWIS was $27.1 million with $15.2 million in LRIT funds and $11.9 million in federal funds. At the time the project was placed on hold LRIT funds totaling $8.7 million ($4.9 million general fund and $3.8 million federal funds) in the LRIT account had been transferred to DPHHS, leaving $18.4 million ($10.3 million general fund and $8.1 million federal fund) in the LRIT account.

The reduction impacts both the CFSD and Technology Services Division (TSD) which manages the project. It delays the DPHHS system upgrade for at least two years.

Current Status

With the MACWIS funding on hold the CFSD continues its operations on the existing CAPS system and has worked with TSD to address federal program compliance. The federal Administration for Children and Families (ACF) is aware

of the situation and has acknowledged the limitations of the CAPS system to easily comply with federal changes because it is programmed in the antiquated COBOL language. ACF is presently supporting CFSD reimbursement data.

ARRA Funds

The figure below shows the ARRA appropriations for subsidized adoption, foster care benefits and the 2% provider rate increase approved by the 2009 Legislature in HB 645.

The total appropriation for provider rates was provided to the Director's Office to be allocated among programs. The figure shows the distribution for CFSD and $237,144 reduction made by the Governor's 17-7-140 reductions in April of 2010. Because the appropriation was in HB 645 rather than HB 2 it became a one-time-only appropriation and any amount remaining after the Governor's reductions was removed from the base budget used to develop the 2013 biennium budget request. There is additional discussion at the agency level.

As of this writing, the division anticipates spending the ARRA appropriations by the deadline of June 30, 2011.

Child and Family Services American Recovery and Reinvestment Act Funding												
	FY 2010 Appropriation Federal Funds Only		FY 2010 Appropriations			FY 2011 Appropriations			Total Appropriation	Total Expenditures	Balance
	Federal Funds	Total	General Fund	Federal Funds	Total	General Fund	Federal Funds	Total	FY 2009 - FY 2011	FY 2009 - FY 2011	November FY 2011
Subsidized Adoption											
Subsidized Adoption Benefits	$360,000	$360,000	$0	$580,000	$580,000	$0	$280,000	$280,000	$1,220,000	$1,104,185	$115,815
Provider Rate Increases	0	0	6,000	6,000	12,000	14,000	14,000	28,000	40,000	12,000	$28,000
Governor Reduction: Provider Rates	0	0	0	0	0	(6,000)	0	(6,000)	(6,000)	$0	($6,000)
Subtotal Subsidized Adoption	$360,000	$360,000	$6,000	$586,000	$592,000	$8,000	$294,000	$302,000	1,254,000	$1,116,185	$137,815
Foster Care		$0							0		
Foster Care Benefits	$265,000	$265,000		$320,000	$320,000		$180,000	$180,000	$765,000	$678,452	$86,548
Provider Rate Increases	0	0	198,010	87,527	285,537	480,157	201,803	681,960	967,497	144,292	823,205
Governor Reduction: Provider Rates	0	0	0	0	0	(216,144)	0	(216,144)	(216,144)	0	(216,144)
In-Home Services; Provider Rates	0	0	15,000	0	15,000	35,000	0	35,000	50,000	15,000	35,000
In-Home Services Governor Reduction	0	0	0	0	0	(15,000)	0	(15,000)	(15,000)	0	(15,000)
Subtotal Foster Care	$265,000	$265,000	$213,010	$407,527	$620,537	$284,013	$381,803	$665,816	1,551,353	837,744	713,609
Governor's Reductions	$0	$0	$56,163	$0	$56,163	$349,470	$0	$349,470	$405,633	$0	$405,633
Total ARRA	$625,000	$625,000	$275,173	$993,527	$1,268,700	$641,483	$675,803	$1,317,286	$3,210,986	$1,953,929	$1,257,057
Source of data SABHRS Nov 11, 2010											

Endowment For Children

Within the permanent Children's Trust Fund, there is an Endowment for Children managed by the Board of Investments. It was launched in FY 2000 and later received a $1.0 million general fund legislative appropriation to provide a permanent source of funding to support the programs and services related to child abuse and neglect, family services programs operated by nonprofit or public community-based educational and service organization. The fund can accept donations.

Investment income is reinvested into the corpus of the trust. The value of the endowment as of September 30, 2010 was $1.3 million.

The $1.0 million endowment is included in the list of the "Reference Book" options that identifies opportunities for the legislature to reduce or reclaim general fund. All or part of the endowment could be transferred back to the general fund. It would take legislation to address 52-7-105, MCA and make a temporary amendment to address the endowment language.

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table
Child & Family Services

Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	$ 30,727,782	51.7%	$ 32,212,586	52.5%	$ 33,859,974	53.0%
01100 General Fund	30,727,782	51.7%	32,212,586	52.5%	33,859,974	53.0%
02000 Total State Special Funds	2,495,422	4.2%	2,495,422	4.1%	2,495,422	3.9%
02089 Child Abuse & Neglect Program	99,598	0.2%	99,598	0.2%	99,598	0.2%
02209 Third Party Contributions-F.C.	2,299,999	3.9%	2,299,999	3.7%	2,299,999	3.6%
02473 Assault Intervention & Trtmnt	87,125	0.1%	87,125	0.1%	87,125	0.1%
02496 Family Preservation Conference	8,700	0.0%	8,700	0.0%	8,700	0.0%
03000 Total Federal Special Funds	26,199,891	44.1%	26,664,185	43.4%	27,555,387	43.1%
03109 Tanf Benefits	2,000,001	3.4%	2,000,001	3.3%	2,000,001	3.1%
03224 Access & Visitation Grt 93.597	98,920	0.2%	98,920	0.2%	98,920	0.2%
03458 6901 - Chafee - Etv 93.599	145,000	0.2%	145,000	0.2%	145,000	0.2%
03522 93.556 - Family Preservation	814,720	1.4%	818,132	1.3%	818,258	1.3%
03526 93.643 - Child Justice	88,982	0.1%	88,987	0.1%	88,987	0.1%
03530 6901-Foster Care 93.658	7,561,630	12.7%	7,757,383	12.6%	8,167,431	12.8%
03531 6901-Subsidized Adopt 93.659	6,205,703	10.4%	6,311,697	10.3%	6,755,709	10.6%
03532 93 669 - Child Abuse	106,340	0.2%	106,120	0.2%	106,124	0.2%
03533 93.671 - Domestic Violence	752,198	1.3%	752,168	1.2%	752,168	1.2%
03534 93.672 - Child Abuse Challenge	213,161	0.4%	213,052	0.3%	213,054	0.3%
03536 93.674 - Iv-E Independent Livi	382,753	0.6%	394,155	0.6%	393,302	0.6%
03593 03 Indirect Activity Prog 03	7,830,483	13.2%	7,978,570	13.0%	8,016,433	12.5%
Grand Total	$ 59,423,095	100.0%	$ 61,372,193	100.0%	$ 63,910,783	100.0%

The division is funded from a variety of sources. The funding and federal matching rates vary by function. Some costs are allocated among funding sources through a complex federally approved cost allocation plan that considers such factors as the results of a random moment in time study of social worker time spent on various activities.

General fund comprises 53% of the budget, with most used as matching funds to draw federal funds. General fund supports benefits, grants and functions serving foster care, subsidized adoptions, and family reunifications as well as safe, non-violent environments for children. The only major activity of the division that is supported entirely by the general fund is the centralized intake function at about $2.0 million over the biennium for 18.00 FTE. Over $23.8 million over the biennium supports the five regional offices across the state with their 305.8 FTE, and about $5.0 million over the biennium supports the 43.85 FTE and operating costs of central administration.

Federal foster care and adoption subsidy funds comprise over 23%, and federal funds obtained through the cost allocation process comprise about 13%.

State special revenue primarily supports the cost of foster care from a wide variety of third party contributions such as parental payments, collections from child support enforcement for children in foster care, and supplemental security income (SSI) for eligible children. It represents nearly 4% of the budget.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	30,727,782	30,727,782	61,455,564	93.01%	59,423,095	59,423,095	118,846,190	94.86%
Statewide PL Adjustments	380,815	375,272	756,087	1.14%	361,914	357,727	719,641	0.57%
Other PL Adjustments	1,346,428	2,999,359	4,345,787	6.58%	1,698,624	4,240,903	5,939,527	4.74%
New Proposals	(242,439)	(242,439)	(484,878)	(0.73%)	(111,440)	(110,942)	(222,382)	(0.18%)
Total Budget	**$32,212,586**	**$33,859,974**	**$66,072,560**		**$61,372,193**	**$63,910,783**	**$125,282,976**	

As shown in the following detail for statewide and present law adjustments, total funds include:

- Over $0.7 million in statewide present law adjustments that is the net of:
  - $2.7 million in personal services to fully fund vacant positions and related benefits and health insurance, partially offset by reductions of
  - $1.6 million in vacancy savings, and about $0.4 million in fixed costs and inflation or deflation adjustments

The general fund in statewide present law adjustments is higher than the federal funds because the percentage of general fund match for positions and operations varies.

Present law adjustments are discussed in the following sections.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,356,728					1,349,720
Vacancy Savings					(811,672)					(811,413)
Inflation/Deflation					(110,217)					(107,655)
Fixed Costs					(72,925)					(72,925)
Total Statewide Present Law Adjustments		**$380,815**	**$0**	**($18,901)**	**$361,914**		**$375,272**	**$0**	**($17,545)**	**$357,727**
DP 30001 - Adoption Caseload Increase	0.00	275,792	0	271,592	547,384	0.00	804,920	0	759,381	1,564,301
DP 30002 - Foster Care Caseload Increase	0.00	698,300	0	309,073	1,007,373	0.00	1,689,886	0	747,956	2,437,842
DP 30003 - FMAP Rate Decrease - Foster Care	0.00	105,317	0	(105,317)	0	0.00	133,093	0	(133,093)	0
DP 30004 - FMAP Rate Decrease - Subsidized Adoption	0.00	165,878	0	(165,878)	0	0.00	209,625	0	(209,625)	0
DP 30005 - Restore OT/Holidays Worked	0.00	64,959	0	22,739	87,698	0.00	64,959	0	22,739	87,698
DP 30006 - Non DofA Rent Annualization	0.00	36,182	0	19,987	56,169	0.00	96,876	0	54,186	151,062
Total Other Present Law Adjustments	**0.00**	**$1,346,428**	**$0**	**$352,196**	**$1,698,624**	**0.00**	**$2,999,359**	**$0**	**$1,241,544**	**$4,240,903**
Grand Total All Present Law Adjustments	**0.00**	**$1,727,243**	**$0**	**$333,295**	**$2,060,538**	**0.00**	**$3,374,631**	**$0**	**$1,223,999**	**$4,598,630**

Program Personal Services Narrative
The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- **Pay Plan Exceptions** – There are no exceptions to the pay plan across the divisions of DPHHS.
- **Program Specific Obstacles** – CFSD primarily experiences high turnover in child protection specialists. This is primarily due to: 1) jobs that are demanding, highly stressful, and overwhelm new hires; 2) competition with other entities offering equal positions that are less stressful and may have better pay; 3) difficult recruitment and retention in very rural areas; and 4) the 24/7 nature of child protection.
- **Vacancy** - High vacancy rates have contributed to overtime costs in addition to the 24/7 nature of the central intake and child protective services functions.
- **Legislatively Applied Vacancy Savings** – Each division was given a target for personal services budget reductions. Vacancies are addressed at the agency level considering critical needs and resource distribution with final approval from the agency director.
- **Pay/Position Changes** – There were two positions with pay changes that converted a social worker position to a new role and added supervisory duties to an administrative support position.
- **Retirements** – CFSD has 168 employees eligible for retirement out of 360 employees. It is estimated that 25 could retire at an estimated liability of $221,375.

DP 30001 - Adoption Caseload Increase - This request supports a caseload increase for subsidized adoption of $1,080,712 general fund and $1,030,973 federal funds for the biennium that is based on an estimated caseload increase of 4.5% in FY 2012 and 8% in FY 2013.

The following information is provided so that the legislature can consider various performance measurement principles and when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The subsidized adoption program encourages and promotes the adoption of children with special needs out of the public foster care system. Adoption subsidies are currently paid to approximately 2,100 children, of which an average of 1,528 are eligible for Title IV-E funding, which is a federal entitlement program. The negotiated amount of the adoption subsidy payment is based upon the child's identified special needs, but the amount cannot exceed $10.00 less per month than the amount the child would have received in a regular or specialized foster family home. There are currently over 300 children with special needs whose parent's rights have been terminated and have the permanency goal of adoption identified.

Goal: To move children with special needs out of the foster care system to permanent placements.

Increasing costs are related to:

- Children aging out of adoption are typically paid lower subsidies than the children presently entering into adoption subsidy agreements primarily because foster care rates have increased over time increasing the ceiling on newly negotiated adoption subsidies.
- The state may renegotiate a subsidy agreement if circumstances merit.

Funding: Subsidized adoption caseload is funded with both general fund and Title IV-E federal funds. The non-Title IV-E eligible subsidized adoption benefits are paid at 100% general fund. This request recognizes the increase in the FMAP rate from 31.96% in the 2010 base budget for Title IV-E eligible benefits to the FMAP rate of 33.78% in 2012 and 34.26% in the 2013.

Challenges: Recruitment of prospective adoptive placements for children in the foster care system.

Risks: Adoption is the highest priority option for permanency under federal and state law. If children are not placed adoptively within the federal timelines, the successful completion of the federally approved PIP would be in jeopardy and financial penalties could be imposed.

Demographics of population served: Individuals eligible for adoption subsidies are children with special needs in the foster care system whose parents' rights have been terminated by the court. In 2010 an estimated 2,265 unduplicated individuals received adoption subsidies, with an average of 2,104 subsidies being paid each month.

DP 30002 - Foster Care Caseload Increase - The Child and Family Services Division is requesting a foster care caseload increase of $2,388,186 in general fund and $1,057,029 in federal funds for the biennium that is based on an estimated increase in caseload of 6.0% in FY 2012 and 8.0% in FY 2013.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: CFSD is federally mandated to provide protective services to children who are abused, neglected, abandoned, or at substantial risk of such abuse or neglect. Maintenance payments and support services are currently paid to the 1,687 foster kids in care of the state, of which an average of 45.76% are eligible for Title IV-E funding. In 2010, an estimated 2,500 unduplicated children were placed in foster care during the year, with an average of 1,586 placements per month.

Goal: Place children in a safe and permanent environment.

Increasing caseload trends: Foster care caseload could theoretically be correlated to a number of factors such as the economy, staffing trends, availability of In-Home Services, drug use trends, and others. At this time the division is unable to correlate the current increase in caseload to any one factor. However, the continuous increase since the beginning of the current state fiscal year, and the relatively larger increases in the past two months, suggests that the caseload will continue to rise.

Funding: The foster care caseload is funded with general fund, state special revenue, TANF, and Title IV-E federal funds. The Title IV-E eligible benefits are calculated at the FMAP rate of 33.78% in 2012 and 34.26% in 2013. The overall base year funding included general fund payments of 39.92%, IV-E general fund match payments of 11.02%, third party collections (state special revenue) of 13.70%, TANF payments of 11.91%, and IV-E payments of 23.45%. This decision package is a request for increased general fund and federal funds. This request is for projected growth in clients and recognizes the increase in the FMAP rate from 31.96% in the 2010 base budget.

Challenges: Predicting foster care caseloads is difficult due to the fact that the number of referrals and removals of children from their homes vary over time and do not appear to be associated with any single identifiable factor.

Risks: Without sufficient funding, children would still be placed into foster care; however, the support services would be cut. It could be more difficult to recruit and retain foster parents and could result in more children being placed into emergency shelter facilities or other residential settings at a higher cost to the division.

Demographics of population served: Individuals eligible for foster care services include any child under the age 18 who is removed from his or her parent, guardian, or legal custodian pursuant to the requirements of Montana Code Annotated Title 41.

LFD COMMENT

Foster Care and Subsidized Adoption Caseloads

Caseload Discussion

The core of the foster care and subsidized adoption caseload increases were discussed earlier in the write-up. LFD estimates do not vary significantly from the division's estimate. However, in light of the increase in caseload over the last few months, an update in caseload should be presented during the Joint Appropriation Subcommittee on Health and Human Services discussion.

Reporting During the Interim

Additionally, should the legislature approve the requests to increase funding in support of caseload increases, it may wish to include a performance measure that would recommend reports throughout the interim that: 1) track the caseloads; and 2) discuss the relationship of the economic downturn and the obstacles mentioned in the personal services narrative to the workload of the division.

DP 30003 - FMAP Rate Decrease - Foster Care - This request is an increase of $238,410 in general fund and a decrease of the same amount in federal funds over the biennium to address federal changes in the FMAP rate for foster care. The foster care adjusted base expenditures were calculated based upon an initial FMAP estimate of 68.04%. This adjustment reduces the FMAP from 68.04% to 66.22% in FY 2012 and to 65.74% in FY 2013 to reflect updated information.

DP 30004 - FMAP Rate Decrease - Subsidized Adoption - The Governor requests an increase of $375,503 in general fund and a decrease of the same amount in federal funds over the biennium to address federal changes in the FMAP rate for subsidized adoption. The subsidized adoption adjusted base expenditures were calculated based upon an FMAP of 68.04%. This adjustment reduces the FMAP from 68.04% to 66.22% in FY 2012 and to 65.74% in FY 2013.

DP 30005 - Restore OT/Holidays Worked - The Governor requests an increase of $129,918 in general fund and $45,47[illegible] in federal funds over the biennium to reinstate overtime compensation and holidays worked that was primarily earned by social workers called out at night or required to work additional hours due to staff shortages. Overtime and holidays worked are removed from the FY 2010 base for budgeting purposes and must be requested in a decision package. These expenses are on-going, routine costs for this division.

DP 30006 - Non DofA Rent Annualization - This request of $133,058 in general fund and $74,173 in federal funds for the biennium would support the annualization of lease amounts for non-state owned buildings due to the relocation of the CFSD central office and the Region IV office.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
	Fiscal 2012					Fiscal 2013				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 30101 - Continue Chafee Independent Living Support										
03	0.00	80,000	0	304,057	384,057	0.00	80,000	0	303,202	383,202
DP 55403 - 4% Personal Svs GF Bud Reduction										
03	(10.80)	(322,439)	0	(173,058)	(495,497)	(10.80)	(322,439)	0	(171,705)	(494,144)
Total	**(10.80)**	**($242,439)**	**$0**	**$130,999**	**($111,440)**	**(10.80)**	**($242,439)**	**$0**	**$131,497**	**($110,942)**

DP 30101 - Continue Chafee Independent Living Support - The Governor requests $767,259 total funds over the biennium to continue support for modified FTE or contracted services in the independent living program that have been in the division budget for several years. The authority is requested at this time because it funded modified positions and was not included in the FY 2010 base budget.

The division would use contracted services, modified FTE, or a combination of the two to provide services to all regions in the state. Services were performed by modified FTEs in FY 2008 – FY 2010 and through contracted providers prior to that.

The John H Chafee Foster Care Independence Program offers assistance to help current and former foster care youth achieve self-sufficiency. Grants are offered to states and Tribes who submit a plan to assist youth in a wide variety of areas designed to support a successful transition to adulthood.

DP 55403 - 4% Personal Services GF Reduction - This request represents the 4% personal service reduction applied to most agencies. It reduces general fund by $644,878 over the biennium and represents a reduction of 10.8 FTE and a total of 11 positions. Positions that are 24/7 were exempted from the 4% calculation, which includes the Centralized Intake Unit (17 workers) and on-call Child Protective Specialists (39 workers, one per office) in the field.

Program Budget Comparison
The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	167.25	167.25	164.75	164.75	167.25	164.75	(2.50)	(1.49%)
Personal Services	8,879,925	9,327,518	9,027,969	9,026,049	18,207,443	18,054,018	(153,425)	(0.84%)
Operating Expenses	1,828,678	2,028,886	1,831,581	1,849,517	3,857,564	3,681,098	(176,466)	(4.57%)
Debt Service	59,014	59,015	59,014	59,014	118,029	118,028	(1)	0.00%
Total Costs	**$10,767,617**	**$11,415,419**	**$10,918,564**	**$10,934,580**	**$22,183,036**	**$21,853,144**	**($329,892)**	**(1.49%)**
General Fund	2,088,583	3,268,064	4,081,861	4,091,895	5,356,647	8,173,756	2,817,109	52.59%
State Special	1,750,682	1,668,642	1,794,520	1,789,929	3,419,324	3,584,449	165,125	4.83%
Federal Special	6,928,352	6,478,713	5,042,183	5,052,756	13,407,065	10,094,939	(3,312,126)	(24.70%)
Total Funds	**$10,767,617**	**$11,415,419**	**$10,918,564**	**$10,934,580**	**$22,183,036**	**$21,853,144**	**($329,892)**	**(1.49%)**

Program Description
The purpose of the Child Support Enforcement Division (CSED) is to pursue and obtain financial and medical support for children by establishing, enforcing, and collecting financial support owed by obligated parents. Program staff locates absent parents, identifies assets, establishes paternity, and ensures obligated parents maintain medical health insurance coverage for their dependent children. Child support payments are collected for families receiving public assistance and for families not on assistance. Services are available to any applicant regardless of income level.

Activities carried out by program staff are authorized in Title 40, Chapter 5, MCA, and are mandated by the federal government in accordance with Title IV-D of the Social Security Act, 42 USC 651 et seq., and 45 CFR, Chapter 3.

Program Highlights

Child Support Enforcement Major Budget Highlights
♦ General fund is increased by $2.8 million and federal funds are reduced by $3.3 million over the biennium to adjust for a funding switch from general fund to federal American Recovery and Reinvestment Act (ARRA) funds made by the 2009 Legislature ♦ The Governor proposes a 4% general fund reduction of $98,128 over the biennium in personal services with a total fund reduction of $288,612 as part of the 5% Reduction Plan

Program Narrative
As noted in the description, CSED pursues and obtains financial and medical support from non-custodial parents. Federal regulation mandates a child support enforcement program in all states under Title IV-D of the Social Security Act in order for states to maintain state eligibility for federal Temporary Assistance for Needy Families (TANF) Block grant and receive the federal funding. As a condition of the TANF block grant, collection of child support owed to the family is automatically assigned to the state and is used to reimburse federal and state government for welfare benefits paid to the family. However, services must be available to anyone who applies, regardless of the family income and resource level. Individuals who receive public assistance under TANF, Medicaid, and the Foster care Program are automatically referred to CSED.

The primary cost for the division, $18 million over the biennium, supports personal services for 164.75 FTE, of which over $14.0 million supports the five regional offices and 115.50 FTE throughout the state. Operating costs account for $3.7 million of the total division expenses, about $2.1 million of which are also associated with the regional offices. The balance of the personnel and operating costs go for division administration and fiscal functions, attorneys, and legal functions.

Increase in General Fund

As shown in the introductory budget comparison table, general fund is increased by over $2.8 million and federal funds are reduced by $3.3 million when the 2011 and 2013 biennia are compared. This is primarily due to an adjustment that reverses a funding switch made by the 2009 Legislature. Federal stimulus funds (American Recovery and Reinvestment Act or ARRA) had been made available on a one-time-only basis and were used in part to replace about $2.0 million general fund in this division, as child support expenses were allowable uses of ARRA funds. The 2009 Legislature had anticipated this funding switch and included language in statute that allowed CSED to submit a budget for the 2013 biennium using its normal funding structure.

The additional changes reflected in the table come from statewide and present law adjustments, and new proposals that are discussed in the following sections.

Goals and Objectives

2013 Biennium Goal

The Legislative Finance Committee recommends the legislature consider the following critical goal and performance measurement(s) as part of its decisions on the executive's budget requests for this program.

The Economic Security Branch could be impacted by the overarching critical goals that LFD staff, the agency and the Joint Appropriations Subcommittee for Health and Human Services will follow through the budget cycle. They are:

- Implement components of federal health insurance reform
    - Integrate Medicaid eligibility determination in the health insurance exchange design
    - Evaluate the potential for a single system to determine Medicaid eligibility
    - Estimate the cost of Medicaid eligibility expansion for consideration by the 2013 Legislature
- Continue to monitor implementation of Healthy Montana Kids
- Review the impact of the economy on workload and programs
- Study the effect of broad based budget reductions such as the proposed 4% FTE/personal services reductions

CSED would most likely be impacted by the critical goals related to the impact of the economy on workload and programs and the evolution of the insurance initiatives over the 2013 biennium, because the downturn in the Montana economy could impact:

- The division's efforts to collect child support and the level of the non-custodial parent's ability to pay once located
- The division's state special revenue funding related to:
    - The ability of CSED to meet federal benchmarks tied to federal incentives
    - Collections related to children who are eligible for TANF (there is further discussion in the funding section of this write-up)
- A possible changing role of CSED to assist the obligated parent to afford insurance under the federal mandate of "every child must have insurance in every case" as the Affordable Care Act regulations are identified and insurance companies decide whether or not to continue "child-only" policies

LFD COMMENT

CSED reports progress toward the required federal benchmarks that are listed in the table below.

Anticipated increases in the caseload to staff ratio may impact the ability to assist clients throughout the state for the 2013 biennium. For example, the cases per worker have gone from 38,799 cases for 117.00 FTE in July of 2009 to 39,914 cases for 108.00 FTE in October of 2010, equating to a 10% increase in cases per worker.

Ultimately, the ability to serve clients impacts staff ability to achieve the federal benchmarks. The following table shows the benchmarks as reported for federal year 2008 through federal year 2010.

Child Support Enforcement Division
Achievement of Federal Benchmarks Federal Fiscal Years

	Federal Yr. Ending 9/08	Federal Yr. Ending 9/09	Federal Yr. Ending 9/10
Child Support Collections	$ 66,987,626	$ 63,846,114	$ 65,552,485
Maintain the IV-D paternity establishment percentage at 90 percent*	106.61	107.9	108.30
Maintain the percentage of cases with support orders at 80 percent	88.16	87.30	87.60
Increase the percentage of cases with current support collections	64.21	62.10	60.80
Increase the percentage of cases with arrears child support collections	69.94	67.60	65.90

* Can exceed 100 percent due to federal definitions of the denominator

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

The total 5% Plan general fund reduction for CSED is $98,128 over the biennium and is proposed in DP55405, which would reduce personal services by 4%. There would be an accompanying federal funds reduction of $190,484 because of the CSED 66% federal funding percentage. The request would eliminate funding for 2.50 FTE each year of the biennium, and is taken from the regional staff positions.

- Possible impact: Caseloads are anticipated to increase over the next biennium. CSED would have to manage services with remaining staff absorbing the workload to ensure collections and services to clients are timely and that the target measurements governing incentive funding are met

There is further discussion in the branch overview.

Legislative Considerations

As noted in the LFD comments, serving clients relates to staff ability to achieve the federal benchmarks. CSED's achievement percentages of current support collections have declined. The 5% reduction in personal services would eliminate funding for 2.50 FTE each year of the biennium from the regional staff positions, which could impact the collections, and the division's ability to achieve the federal benchmarks.

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table
Child Support Enforcement

Program Funding		Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000	Total General Fund	$ 2,088,583	19.4%	$ 4,081,861	37.4%	$ 4,091,895	37.4%
	01100 General Fund	2,088,583	19.4%	4,081,861	37.4%	4,091,895	37.4%
02000	Total State Special Funds	1,750,682	16.3%	1,794,520	16.4%	1,789,929	16.4%
	02187 Child Support State Share	1,750,682	16.3%	1,794,520	16.4%	1,789,929	16.4%
03000	Total Federal Special Funds	6,928,352	64.3%	5,042,183	46.2%	5,052,756	46.2%
	03570 93.563 - Child Support Ivd 66%	6,928,352	64.3%	5,042,183	46.2%	5,052,756	46.2%
Grand	Total	$ 10,767,617	100.0%	$ 10,918,564	100.0%	$ 10,934,580	100.0%

All sources of revenue are spent on child support collection and distribution activities, which include obtaining financial and medical health insurance support for children by locating absent parents; identifying assets; establishing paternity; and managing the related benefit, searching, and reporting systems.

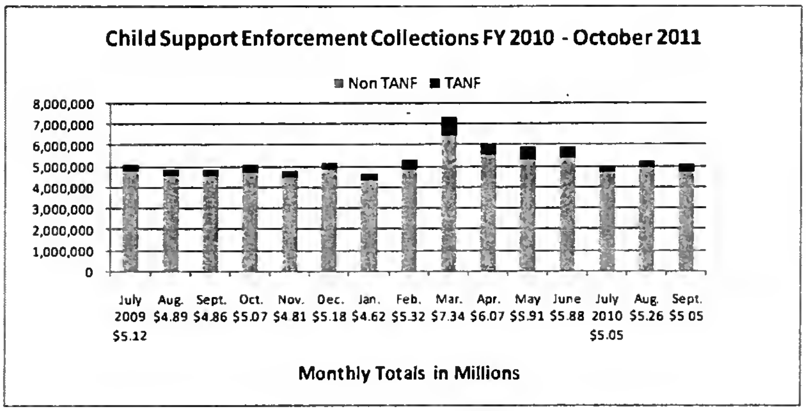
Child support activities are funded with a combination of about 37% general fund, 16% state special revenue, and 47% federal funds. The federal Title IV-D eligible expenditures are funded 66% with federal IV-D funds and the remaining expenditures are funded at 34% by a combination of general fund and state special revenues.

State special revenue consists of about 54% from the retention of collections made on behalf of present and/or past TANF participants, 42% from federal incentives, and 4% for genetic testing application fees and some federally required collection fees paid by the absent parent account.

Federal incentive funds are received for meeting or exceeding the federal incentive performance measures and related benchmarks. The federal benchmarks are tied to percentages that the state achieves for functions, including implementing child support collections, assisting with changes to the support agreement, or collecting for cases whose support is in arrears; establishing paternity; and ensuring medical support or insurance coverage is provided for children (please see LFD comment in the Goals and Objectives section above).

A portion of the funds recovered on behalf of TANF cash assistance recipients is retained by the state at the state share of the federal FMAP rate (about 34% in FY 2012). There is no retained revenue from non-TANF collections, which is simply collected and sent on to the custodial parent.

In FY 2010, CSED collected over $65.0 million on behalf of both TANF and non TANF children and their custodial parents. The TANF collections averaged about $445,000 per month. The CSED share of the TANF collections for FY 2010 was about $1.4 million. Non-TANF collections averaged nearly $5.0 million per month. The following chart shows collections by month for the FY 2010 base year and the first quarter of FY 2011. The increase in collections from March through June reflects the availability of funds due to income tax returns.



State special revenues generated from dollars retained by the state for child support collections on behalf of present and/or past TANF cash assistance participants directly relates to increases or decreases in the statewide TANF caseload. There is further TANF caseload discussion in the Human and Community Services Division in this volume.

Federal revenue reflects the 66% federal match for eligible CFSD expenditures.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	2,088,583	2,088,583	4,177,166	51.10%	10,767,617	10,767,617	21,535,234	98.55%
Statewide PL Adjustments	2,044,896	2,048,872	4,093,768	50.08%	302,765	300,963	603,728	2.76%
Other PL Adjustments	(2,554)	3,504	950	0.01%	(7,512)	10,306	2,794	0.01%
New Proposals	(49,064)	(49,064)	(98,128)	(1.20%)	(144,306)	(144,306)	(288,612)	(1.32%)
Total Budget	**$4,081,861**	**$4,091,895**	**$8,173,756**		**$10,918,564**	**$10,934,580**	**$21,853,144**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					674,525					672,52
Vacancy Savings					(382,175)					(382,09
Inflation/Deflation					10,491					10,6
Fixed Costs					(76)					(7
Total Statewide Present Law Adjustments		**$2,044,896**	**$43,838**	**($1,785,969)**	**$302,765**		**$2,048,872**	**$39,247**	**($1,787,156)**	**$300,9**
DP 50001 - Non DofA Rent Adjustment	0.00	(2,554)	0	(4,958)	(7,512)	0.00	3,504	0	6,802	10,3
Total Other Present Law Adjustments	**0.00**	**($2,554)**	**$0**	**($4,958)**	**($7,512)**	**0.00**	**$3,504**	**$0**	**$6,802**	**$10,3**
Grand Total All Present Law Adjustments	**0.00**	**$2,042,342**	**$43,838**	**($1,790,927)**	**$295,253**	**0.00**	**$2,052,376**	**$39,247**	**($1,780,354)**	**$311,2**

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues whe examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/o clarity.

- **Pay Plan Exceptions** – There are no exceptions to the pay plan across the divisions of DPHHS.
- **Program Specific Obstacles** – Should a position become available, CSED competes with the salaries fo attorneys, financial and regional management professionals, and investigators in recruitment of workers fo qualified staff.
- **Vacancy** – In the present economy, positions are remaining filled longer. Temporary services are sometime used to fill vacant positions until someone is hired.
- **Legislatively Applied Vacancy Savings** – The 7% vacancy savings was addressed at the agency level with eac division receiving a target to meet. Overall management of the vacancies and hiring occurs at the agency level.

- o **Pay/Position Changes** – CSED upgraded one position, a database analyst, to a class better fit for the duties.
- o **Retirements** – CSED has 102 positions out of 153 that are eligible for retirement. This is the highest rate in the agency. The division estimates that 11 would retire in the next biennium for a liability of $97,405.

Statewide and Present Law Adjustments

The primary cause for the statewide present law adjustment increase to general fund was the funding switch of about $2.0 million discussed earlier in the program overview. As shown in the following present law section, there is also some adjustment for personal services to fully fund positions that were vacant in the 2010 base year. The division had 12.5 positions vacant on the date on which the personal services budget is determined, but intends to fill these positions as the DPHHS budget allows. Fully funding these positions, including standard increases in healthcare and longevity, accounts for $1.3 million in personal services over the biennium.

DP 50001 - Non DofA Rent Adjustment - This request adjusts funding for the renegotiated and inflationary changes for rent on non-state-owned buildings. It increases general fund by $950 and federal funds by $1,844 in the 2013 biennium. Reductions due to lease negotiations and increases for leases that could not be reduced were factored into this calculation.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals	Fiscal 2012					Fiscal 2013				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55405 - 4% Personal Svs GF Bud Reduction										
05	(2.50)	(49,064)	0	(95,242)	(144,306)	(2.50)	(49,064)	0	(95,242)	(144,306)
Total	**(2.50)**	**($49,064)**	**$0**	**($95,242)**	**($144,306)**	**(2.50)**	**($49,064)**	**$0**	**($95,242)**	**($144,306)**

DP 55405 - 4% Personal Svs GF Bud Reduction - This request represents the 4% personal service reduction ordered by the Governor per 17-7-140 in April of 2010. It reduces general fund by $98,128 over the biennium and represents a reduction of 2.50 FTE. This general fund is matched at the Title IV-D rate of 66%, for a total biennial reduction of $288,612.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	41.25	41.25	40.25	40.25	41.25	40.25	(1.00)	(2.42%)
Personal Services	3,772,476	2,874,688	3,035,376	3,033,108	6,647,164	6,068,484	(578,680)	(8.71%)
Operating Expenses	980,185	873,789	944,331	944,958	1,853,974	1,889,289	35,315	1.90%
Debt Service	0	802	0	0	802	0	(802)	(100.00%)
Total Costs	**$4,752,661**	**$3,749,279**	**$3,979,707**	**$3,978,066**	**$8,501,940**	**$7,957,773**	**($544,167)**	**(6.40%)**
General Fund	1,992,454	1,604,573	1,638,989	1,637,808	3,597,027	3,276,797	(320,230)	(8.90%)
State Special	439,899	308,235	385,118	385,240	748,134	770,358	22,224	2.97%
Federal Special	2,320,308	1,836,471	1,955,600	1,955,018	4,156,779	3,910,618	(246,161)	(5.92%)
Total Fuods	**$4,752,661**	**$3,749,279**	**$3,979,707**	**$3,978,066**	**$8,501,940**	**$7,957,773**	**($544,167)**	**(6.40%)**

Program Description

The Director's Office provides overall policy development and administrative guidance for the department. Included in the Director's Office are legal affairs, personnel services, public information, the prevention resource center, and the AmeriCorps*VISTA Program. The Montana Health Coalition is administratively attached. Also, the director serves on many councils including the Interagency Coordinating Council for State Prevention Programs, which is attached to the Governor's Office.

Statutory authority is in Title 2, Chapter 15, part 22 and Title 53, Chapter 19, part 3, MCA.

Program Highlights

Director's Office Major Budget Highlights
♦ The Director's Office overall budget proposal decreases 6.4% when compared to the 2011 biennium due to adjustments for termination costs

Program Narrative

The 2013 biennium budget request declines 6.4% or $0.5 million when compared to the 2011 biennium. Present law changes for the Director's Office are negative for both years of the 2013 biennium due to removal of department wide termination payouts of about $1.4 million. Agencies pay accumulated annual leave and a portion of unused sick leave when employees retire or leave state employment. Termination payouts are recorded in the personnel program budget in the Director's Office and then removed in the statewide present law adjustments because they are considered a one-time expense. Removal of termination costs accounts for a reduction of about $722,314 in general fund, $140,277 in state special revenues, and $500,985 in federal special revenues each year of the 2013 biennium. Increases in personal services and operating costs offset part of the reductions.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

Director's Office Total 5% Reduction Plan Identified Included and not included in Executive Budget 2013 Biennium									
	FTE	General Fund	% Of Division Total	State Special Revenue	% Of Division Total	Federal Special Revenue	% Of Branch Total	Total Funds	% Of Division Total
Included in Executive Budget									
55404 4% Personal services reducti	(1.00)	($87,292)	30.67%	$0	0.00%	($242,544)	50.00%	($329,836)	42.85%
55140 17-7-140 Operation efficienci	0.00	(55,018)	19.33%	0	0.00%	0	0.00%	(55,018)	7.15%
Subtotal Included in Executive Budget	(1.00)	($142,310)	50.00%	0	0.00%	($242,544)	50.00%	($384,854)	50.00%
Total Director's Office	(2.00)	($284,620)	100.00%	$0	0.00%	($485,088)	100.00%	($769,708)	100.00%

All of the reductions proposed for this function are included in the Governor's proposed budget and in the funding tables of this narrative.

Reorganization

DPHHS reorganized division responsibilities and funding during FY 2010. The Director's Office transferred the Medicaid Management Information System (MMIS) to the Medicaid and Health Services Management Program and the Office of Budget and Finance to the Management and Fair Hearings Program under the supervision of the Operations Branch Manager. Total transfers of FTE and costs are as follows:

- 11.00 FTE
- $717,779 in personal services
- $6,808,013 in operating expenses
- $2,855 in debt service

Appropriation authority was also transferred, and is therefore not included in the base funding for the Director's Office.

Summary of Director's Office Base Budget Compared to Executive Request by Function

The figure below shows the FY 2010 base budget expenditures compared to the 2013 biennium request by function of the Director's Office.

Director's Office
FY 2010 Base Expenditures Compare to
2013 Biennium Executive Request

	FY 2010						FY 2012						FY 2013					
Major Function	FTE	General Fund	State Special	Federal Special	Total	% of Total	FTE	General Fund	State Special	Federal Special	Total	% of Total	FTE	General Fund	State Special	Federal Special	Total	% of Total
Director's Office	5.75	$152,129	$56,067	$198,596	$406,792	8.56%	4.75	$169,982	$84,033	$245,556	$499,571	12.55%	4.75	$169,855	$84,007	$245,565	$499,427	12.55%
Office of Legal Affairs	14.50	731,553	69,101	508,848	1,309,502	27.55%	14.50	711,229	67,791	498,274	1,277,294	32.10%	14.50	710,829	67,840	498,007	1,276,676	32.09%
Office of Human Resources	15.00	929,747	198,512	973,325	2,101,584	44.22%	15.00	556,383	125,782	578,369	1,260,534	31.67%	15.00	555,700	125,736	577,595	1,259,031	31.65%
Prevention Resource Center	2.00	43,650	104,438	431,596	579,684	12.20%	2.00	50,327	104,152	440,558	595,037	14.95%	2.00	49,979	104,289	440,502	594,770	14.95%
Office of Planning Coordination & Analysis	4.00	135,375	11,781	207,943	355,099	7.47%	4.00	151,068	3,360	192,843	347,271	8.73%	4.00	151,445	3,368	193,349	348,162	8.75%
Total Director's Office Budget	41.25	$1,992,454	$439,899	$2,320,308	$4,752,661	100.00%	40.25	$1,638,989	$385,118	$1,955,600	$3,979,707	100.00%	40.25	$1,637,808	$385,240	$1,955,018	$3,978,066	100.00%
Percent of Total		41.92%	9.26%	48.82%	100.00%			41.18%	9.68%	49.14%	100.00%			41.17%	9.68%	49.14%	100.00%	

Changes in the percentage of each functions' budget to the total Director's Office are driven by the elimination of the termination costs that are included in the Office of Human Resource FY 2010 base budget. As discussed previously, reductions of about $1.4 million are removed in the statewide present law adjustments.

The Director's Office is responsible for the overall management of the agency. Its budget accounts for slightly more than 12% of the biennial budget request. Increases between the 2013 proposed budget and the FY 2010 base are due to statewide present law adjustments, which are partially offset by a reduction for operating efficiencies.

The Office of Legal Affairs represents DPHHS in court actions and administrative hearings, provides legal advice, and drafts administrative rules and legislation. The Office of Legal Affairs 2013 biennium budget decreases are primarily due to statewide present law adjustments.

The Office of Human Resources is responsible for employee recruitment and hiring, labor relations, contract administration, job classification and salary administration, employee relations, safety programs and training, and Equal Employment Opportunity programs for the agency. As discussed above, the reductions between the FY 2010 base and the 2013 biennium budget are due to elimination of termination costs for the agency recorded and funded in the Office of Human Resources.

The Prevention Resource Center (PRC) assists Montana communities in development of comprehensive prevention efforts in the areas of substance abuse, child and family safety, violence, and crime. The PRC also supports the Interagency Coordinating Council for State Prevention Programs, directs a statewide AmeriCorp* VISTA project, and provides information resources. The PRC budget increases slightly when compared to the FY 2010 base due to increased personal services costs included in the statewide present law adjustments for each year of the 2013 biennium.

The Office of Planning Coordination and Analysis provides support for the department's branches and divisions including analyzing the impacts that policy decisions have on clients in services, the fiscal implications and staffing requirements, and other special projects that enhance the effective and efficient use of the department's resources. Changes between the FY 2010 base and the 2013 biennium budget proposal are due to statewide present law adjustments. Statewide present law adjustments also include a funding shift that increases general fund and reduces state special revenues and federal funds.

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table
Director'S Office

Program Funding		Base FY2010	% of Base FY2010	Budget FY2012	% of Budget FY2012	Budget FY2013	% of Budget FY2013
01000	Total General Fund	$ 1,992,454	41.9%	$ 1,638,989	41.2%	$ 1,637,808	41.2%
	01100 General Fund	1,992,454	41.9%	1,638,989	41.2%	1,637,808	41.2%
02000	Total State Special Funds	439,899	9.3%	385,118	9.7%	385,240	9.7%
	02099 69010-Vista-Community Cost Shr	89,285	1.9%	86,677	2.2%	86,934	2.2%
	02377 02 Indirect Activity Prog 04	350,614	7.4%	298,441	7.5%	298,306	7.5%
03000	Total Federal Special Funds	2,320,308	48.8%	1,955,600	49.1%	1,955,018	49.1%
	03072 69010-Cns-Grants-Vista	367,385	7.7%	366,517	9.2%	366,972	9.2%
	03580 6901-93 778 - Med Adm 50%	49,487	1.0%	4,200	0.1%	4,210	0.1%
	03594 03 Indirect Activity Prog 04	1,903,436	40.0%	1,584,883	39.8%	1,583,836	39.8%
Grand	Total	$ 4,752,661	100.0%	$ 3,979,707	100.0%	$ 3,978,066	100.0%

With the exception of the Prevention Resource Center, the functions within the Director's Office are cost allocated through indirect cost recoveries to the other division within DPHHS. The Director's Office is funded through a combination of general fund, and state and federal special revenues. The department has a complex public assistance

cost allocation plan that is reviewed by six federal agencies and approved by Montana's federal oversight agency. Federal indirect cost allocations made up 81% of the federal revenues in the 2013 biennium. Federal revenues decrease about 6% between the 2013 and 2011 biennia. This is due to elimination of termination costs from the 2013 proposed biennium budget.

General fund supports about 41% of the Director's Office in the 2013 biennium budget, increasing from the 33% of support appropriated by the 2009 Legislature for the 2011 biennium. The percentages changed due to the reorganization that moved functions that were supported by a higher percentage of federal funds out of the Director's Office.

Two state special revenue funds support the Director's Office:
- Cost allocations, budgeted at about $298,000 annually
- Community costs shares for the VISTA volunteers

The PRC administers the VISTA program, which is also supported by a federal grant of $0.7 million as proposed by the executive for the 2013 biennium.

LFD COMMENT

In the last two biennia the Director's Office has had 3.00 FTE modified positions in the Director's Office, including:
- An administrative assistant within the Office of Legal Affairs
- A human resource specialist to assist with classification and compensation review workloads in the Office of Human Resources
- A transportation coordinator in the Office of Coordination and Analysis

The 2009 Legislature considered but did not approve a request by the executive to increase personal service costs in the Office of Human Resources supporting an additional 5.00 FTE.

The positions are included as part of the indirect allocations charged to other divisions and as such increase the costs of the agency overall.

If the Director's Office continues to require the services of the additional FTE in the next biennium, they should be included as part of the budget request so that the impacts of the costs are reflected in the costs and funding of the division.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	1,992,454	1,992,454	3,984,908	121.61%	4,752,661	4,752,661	9,505,322	119.45%
Statewide PL Adjustments	(282,310)	(283,491)	(565,801)	(17.27%)	(624,173)	(626,117)	(1,250,290)	(15.71%)
Other PL Adjustments	(27,509)	(27,509)	(55,018)	(1.68%)	(27,509)	(27,509)	(55,018)	(0.69%)
New Proposals	(43,646)	(43,646)	(87,292)	(2.66%)	(121,272)	(120,969)	(242,241)	(3.04%)
Total Budget	**$1,638,989**	**$1,637,808**	**$3,276,797**		**$3,979,707**	**$3,978,066**	**$7,957,773**	

Reductions included in the statewide present law adjustments reflect the elimination of termination costs for DPHHS. This is discussed in detail in the program narrative.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(484,303)					(486,977)
Vacancy Savings					(131,525)					(131,422)
Inflation/Deflation					(628)					(620)
Fixed Costs					(7,717)					(7,098)
Total Statewide Present Law Adjustments		**($282,310)**	**($54,781)**	**($287,082)**	**($624,173)**		**($283,491)**	**($54,659)**	**($287,967)**	**($626,117)**
DP 55140 - 17-7-140 Operations Efficiencies	0.00	(27,509)	0	0	(27,509)	0.00	(27,509)	0	0	(27,509)
Total Other Present Law Adjustments	**0.00**	**($27,509)**	**$0**	**$0**	**($27,509)**	**0.00**	**($27,509)**	**$0**	**$0**	**($27,509)**
Grand Total All Present Law Adjustments	**0.00**	**($309,819)**	**($54,781)**	**($287,082)**	**($651,682)**	**0.00**	**($311,000)**	**($54,659)**	**($287,967)**	**($653,626)**

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- **Pay Plan Exceptions** - None
- **Program Specific Obstacles** - For all agency programs, decreased numbers of staff and increased stress and burnout for employees have resulted in fewer internal referrals, decreased satisfaction with work/life balance, lack of available time and resources to train and develop current staff and new recruits, and fear and uncertainty with government job stability. In combination, these factors have led to a shortage of high-level skilled workers seeking public service work with this agency
- **Vacancy** - Ongoing vacancies have increased overtime and employee workload and stress. Supervisors are carrying increasingly heavy workloads across all agency programs to cope with staff vacancies and as new employees are trained to be fully productive in their positions. The one position included in the reduction in force in FY 2010 in the Office of Legal Affairs has resulted in fewer lawyers to carry out agency legal work and extending the time required to respond to legal challenges
- **Legislatively Applied Vacancy Savings** - Each agency division was given a target for personal services budget reductions. In general, vacancies were held open until the 7% savings was accomplished. However, the agency managed the vacancy savings based on ongoing assessment of what positions constituted the most critical need and allocating resources using an agency-wide strategy. Some critical positions were filled quickly while others were held open longer. Each request to fill was reviewed, evaluated, and either held open or approved to be filled by the program administrator. After approval by the administrator, each request to fill was also thoroughly scrutinized and considered for final approval by the agency director
- **Pay/Position Changes** – Director's Office upgraded two positions and changed the pay for two positions, including an operations manager and a legal secretary. The pay increases were funded by vacancy or other budgetary savings.
- **Retirements** - Out of 34 total employees in the Director's Office, 20 or 58.8% are eligible for retirement. The division estimates 5 employees will retire in the 2011 and 2013 biennia (including actual retirements in FY 2010) at a total cost of $26,565 in the 2013 biennium. Planning for these vacancies is ongoing but doesn't contemplate double filling positions at this time due to budget restrictions

DP 55140 - 17-7-140 Operations Efficiencies - The Governor made reductions to agencies' 2011 biennium general fund budgets in accordance with 17-7-140, MCA. A portion of the reductions was effective in FY 2011 and therefore is not reflected in the base. This reduction is to continue the original reduction in the 2013 biennium. The Director's Office will make operations reductions through efficiencies in the areas of travel, conferences, supplies, and contracting.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor.

New Proposals	Fiscal 2012					Fiscal 2013				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55404 - 4% FTE Reduction										
04	(1.00)	(43,646)	0	(77,626)	(121,272)	(1.00)	(43,646)	0	(77,323)	(120,969)
Total	**(1.00)**	**($43,646)**	**$0**	**($77,626)**	**($121,272)**	**(1.00)**	**($43,646)**	**$0**	**($77,323)**	**($120,969)**

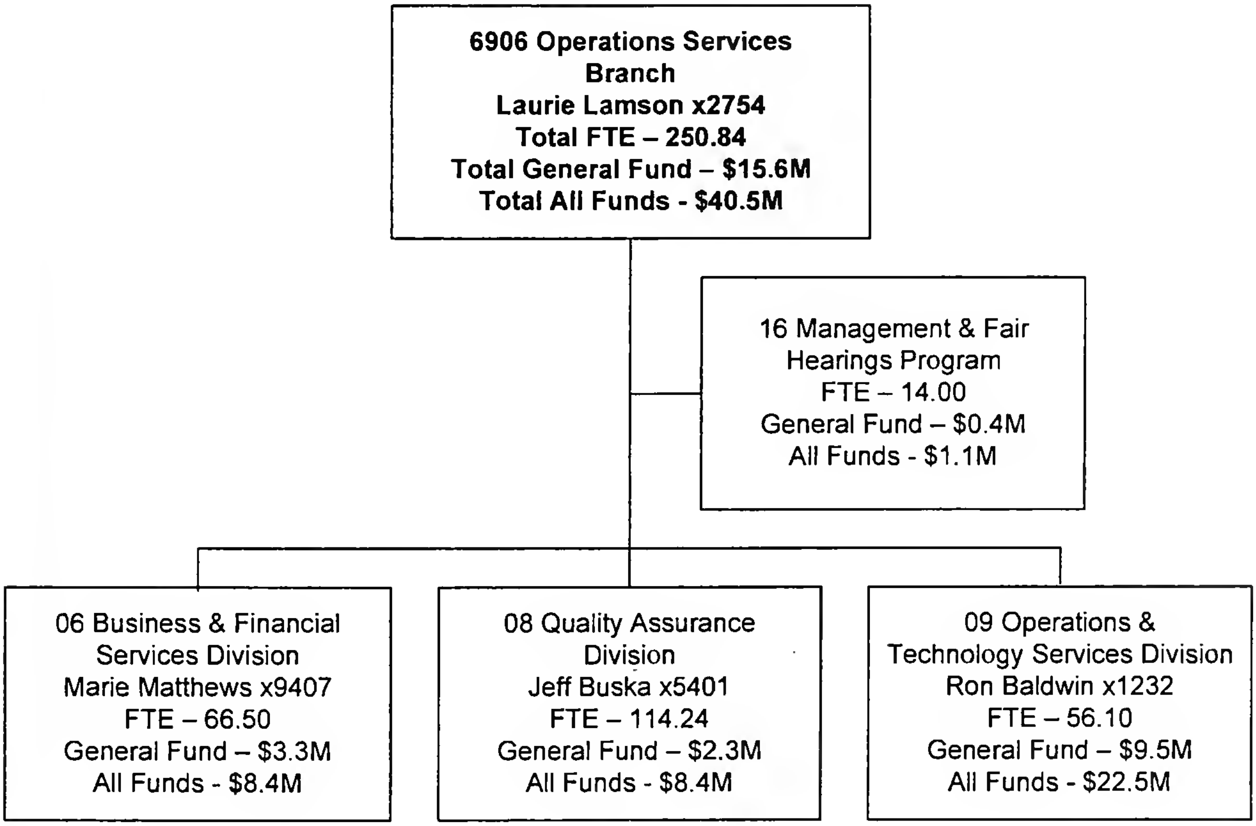
DP 55404 - 4% FTE Reduction - The executive recommends a 4% reduction of personal services funded with general fund. The reduction includes the permanent reduction of FTE associated with positions vacant when budgets were developed. The Director's Office proposes to permanently eliminate an operations manager position.

Branch Budget Comparison

The following table summarizes the total executive budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	250.84	250.84	254.34	254.34	250.84	254.34	3.50	1.40%
Personal Services	14,454,328	14,606,442	15,132,177	15,125,209	29,060,770	30,257,386	1,196,616	4.12%
Operating Expenses	25,194,211	23,561,425	25,733,516	26,149,868	48,755,636	51,883,384	3,127,748	6.42%
Equipment & Intangible Assets	110,563	352,787	110,563	110,563	463,350	221,126	(242,224)	(52.28%)
Grants	554,578	550,380	554,578	554,578	1,104,958	1,109,156	4,198	0.38%
Debt Service	148,871	272,707	148,871	148,871	421,578	297,742	(123,836)	(29.37%)
Total Costs	**$40,462,551**	**$39,343,741**	**$41,679,705**	**$42,089,089**	**$79,806,292**	**$83,768,794**	**$3,962,502**	**4.97%**
General Fund	15,604,180	14,472,372	15,316,586	15,535,585	30,076,552	30,852,171	775,619	2.58%
State Special	1,966,753	2,068,890	2,480,179	2,483,245	4,035,643	4,963,424	927,781	22.99%
Federal Special	22,891,618	22,802,479	23,882,940	24,070,259	45,694,097	47,953,199	2,259,102	4.94%
Total Funds	**$40,462,551**	**$39,343,741**	**$41,679,705**	**$42,089,089**	**$79,806,292**	**$83,768,794**	**$3,962,502**	**4.97%**

The following is the agency organizational chart, with contact information. The chart has been modified by the LFD to include the FY 2010 base budget FTE, general fund, and total funds for each program. As applicable, total agency proprietary funds and statutory appropriations, along with associated FTE, are also shown.



Branch Description

Operations Services Branch

The Operations Services Branch provides the operational backbone for the department by coordinating budget management, accounting, and operations. The divisions/offices under this branch are:

- Management and Fair Hearings Office (MFH)
- Business & Financial Services Division (BFSD)
- Quality Assurance Division (QAD)
- Technology Services Division (TSD)

Branch Highlights

Operations Branch Major Budget Highlights
◆ Total funding for the division increases nearly 5.0% when the 2011 and 2013 biennia are compared, primarily due to: • Increases in personal services in statewide present law adjustments • Increases in operations for Information Technology Systems support • A state special revenue increase to support the Medical Marijuana Registry ◆ The Governor proposes a 5% general fund reduction in the biennium of $0.2 million in personal services and $ $0.4 million in operations

Branch Discussion

Goals and Objectives

2013 Biennium Goal

The Legislative Finance Committee recommends the legislature consider the following critical goal and performance measurement(s) as part of its decisions on the executive's budget requests for this branch.

The Operations Branch could be impacted by the overarching critical goals that LFD staff, the agency, and the Joint Appropriations Subcommittee for Health and Human Services will follow through budget cycle. They are:

- Implement components of federal health insurance reform
  - Integrate Medicaid eligibility determination in the health insurance exchange design
  - Evaluate the potential for a single system to determine Medicaid eligibility
  - Estimate the cost of Medicaid eligibility expansion for consideration by the 2013 Legislature
- Continue to monitor implementation of Healthy Montana Kids
- Review impact of economy on workload and programs
- Study the effect of broad based budget reductions such as the proposed 4% FTE/personal services reductions

The entire branch could be impacted at some level by these critical goals because the branch divisions serve as the central hubs for technology, business systems, and financial management for the agency and have costs and activities associated with all of the goals. Additionally, the Fair Hearings and Quality Assurance Divisions would address the issues from compliance and quality control to public concerns. The roles across the branch, level of involvement, and budget impacts would be determined as the process evolves.

It is anticipated that the branch will brief the Joint Appropriations Subcommittee for Health and Human Services (Subcommittee) on the goals and impact on its programs during the budget discussion in the 2011 session. There is additional discussion in the division.

The LFC recommended an update from the Business and Financial Services Division for presentation during the 2011 Legislative Session. The LFC requested an update on its goal to improve the department's internal control environment and business processes. There is further discussion on this goal in the division write-up.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The Governor proposes a 5% general fund reduction over the biennium of about $0.2 million in personal services and $0.4 million in operations.

Throughout the Operations Branch, the 5% reduction plan is discussed in two parts:

- o Reductions contained in the Governor's budget
- o Reductions recommended by the branch and divisions not in the Governor's budget

DPHHS viewed the target reductions assigned by the Governor on a whole agency basis, taking general fund reductions from all divisions, but state special revenue only from the Health Resources and Addictive and Mental Disorders Divisions. The Operations Branch has no state special revenue in the branch 5% Reduction Plan that is part of the Governor's budget.

The Operations Branch reductions of nearly $600,000 general fund over the biennium are included in the Governor's budget. The branch divisions also submitted reductions of nearly $0.8 million as part of the 5% reduction plan that were not included in the Governor's budget.

The Legislative Finance Committee has recommended that the legislature adopt all elements of the 5% reduction plan as part of its initial establishment of the budget base. The division's recommendations contain a general fund reduction, and in some cases a total funds reduction.

The following figure shows the total $1.3 million general fund reduction by division.

Operations Branch 5% Reduction Plan Included and Not Included in the Executive Budget 2013 Biennium					
	FTE	General Fund	Branch Total	Special Revenu	Branch Total
Management and Fair Hearings					
Included in Executive Budget					
55140 Operations Reduction		$2,532	0.2%		
Not Included in Executive Budget					
95161 Temporary Services		3,720	0.3%		
Travel Reduction		2,720	0.2%		
Subtotal Not Included in Executive Budget		$6,440	0.5%		
Total Management and Fair Hearings		$8,972	0.7%		
Business and Financial Services					
Included in Executive Budget					
55140 Operations Reduction		$50,062	3.7%		
Not Included in Executive Budget					
95091 Operations Reduction		$66,214	4.9%		
Total Business and Financial Services		$116,276	8.6%		
Quality Assurance Division					
Included in Executive Budget					
55408 4% Personal Services Reduction		$170,896	12.7%		
55140 Operations Reduction		99,542	7.4%		
Total Quality Assurance		$270,438	20.1%		
Technology Services Division					
Included in Executive Budget					
55409 4% Personal Services / Operations R		$78,930	5.9%		
55142 CAPS System Reduction		80,736	6.0%		
55141 Operations Reduction		35,036	2.6%		
55143 Systems Efficiencies		56,924	4.2%		
Subtotal Included in Executive Budget		$251,626	18.7%		
Not Included in Executive Budget					
95091 IT Systems Operations Reductions		$126,520	9.4%		
95092 Facilities Mgmt. Reductions		290,114	21.6%		
95093 Reduce Elibility Notice Postage		90,824	6.8%		
95094 Reduce Printing Costs		134,100	10.0%		
95095 PC Fleet to 5 Year Replacement		55,820	4.2%		
Subtotal Not Included in Executive Budget		$697,378	51.9%		
Total Technology Service Division		$949,004	70.6%		
Total Branch Reduction Plan					
Included in Executive Budget		$574,658	42.7%		
Not Included in Executive Budget		770,032	57.3%		
Total Branch Reduction Plan		$1,344,690	100.0%		

Concern

The requests submitted in the Governor's budget reflect increases or decreases to general fund, state special revenue, an federal funds as well as any related funding switches. This provides the legislature a complete picture of the reduction However, funding information is not provided for submissions that are not included in the Governor's budget Consequentially, the legislature does not have a complete picture of the impact of the general fund reductions or a efficient means to understand the entire impact or risks of a reduction on the division, the program, or the clients serve by the program. Additionally, the Operations Branch is funded by the formula-driven cost allocation process, whic

means that a general fund reduction would likely have a correlating state special and/or federal fund reduction, which is not reflected in the submissions that are not in the Governor's budget.

The legislature may wish to recommend that the divisions bring the potential state special and federal revenue reductions to the discussion of their budget during session.

Funding

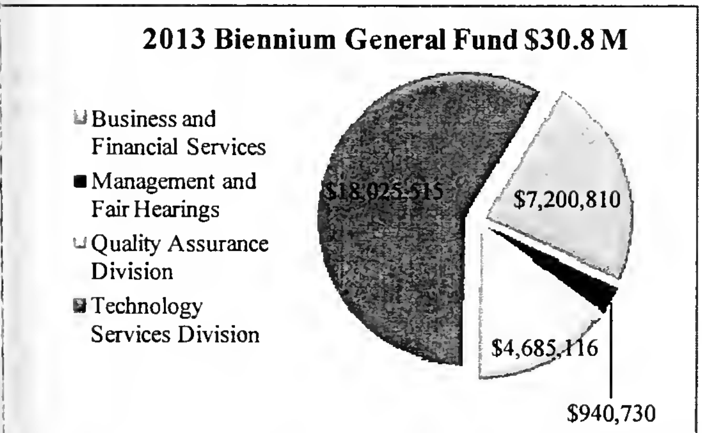
The following table summarizes funding for the agency, by program and source, as recommended by the Governor. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding
2013 Biennium Budget

Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
06 Business & Financial Services Division	$ 7,200,810	$ 1,350,629	$ 9,643,942	$ 18,195,381	21.72%
08 Quality Assurance Division	4,685,116	1,337,264	11,558,823	17,581,203	20.99%
09 Technology Services Division	18,025,515	2,204,317	25,394,194	45,624,026	54.46%
16 Management And Fair Hearings	940,730	71,214	1,356,240	2,368,184	2.83%
Grand Total	$ 30,852,171	$ 4,963,424	$ 47,953,199	$ 83,768,794	100.00%

Total funding for the branch over the biennium is $83.8 million at 37% general fund, 6% state special revenue, and 57 % federal funds.

The branch receives general fund, state special revenue, and federal funds through a complicated, federally approved cost allocation formula that is generally referred to as indirect activity. The funding formula is derived from those funds expended on functions serving programs throughout department.

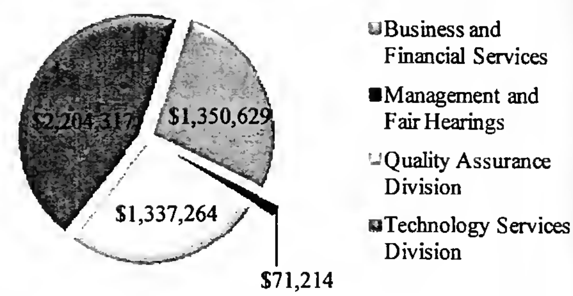


General fund and much of the state special revenue used by the branch primarily serves as match for federal funds. General fund also supports contracted system development; maintenance and enhancement for technology projects serving the entire agency including the Medicaid, TANF, and SNAP eligibility and benefit systems; and the Child and Adult Protective Services system. There is also general fund used in support of some administrative functions and services for which there is no federal support such as licensure for assisted living facilities.

As shown in the general fund chart, TSD spends the most of the branch's $30.8 million general fund at nearly $18.0 million over the biennium, of which $11.3 million is spent on system development, maintenance, and enhancement, including the contracts. BFSD spends over $7.2 million general fund in its role as the centralized business center for the agency supporting costs associated with department-wide accounting, payroll, and purchasing services as well as the facility reimbursement function, costs for the Statewide Accounting, Budget and Human Resource System (SABHRS), and agency-wide fixed costs and audit. QAD uses $4.7 million general fund for the biennium in its oversight, licensing, certification, and compliance functions as state match for eligible costs in Medicaid, Title IV-E (foster care) and federal discretionary child care funds, community residential facilities, and program compliance and state licensure for assisted living or other facilities that receive no federal support. MFH spends under $1.0 million over the biennium to support the staff and functions of the Office of Fair Hearings and the agency-wide Office of Budget and Finance.

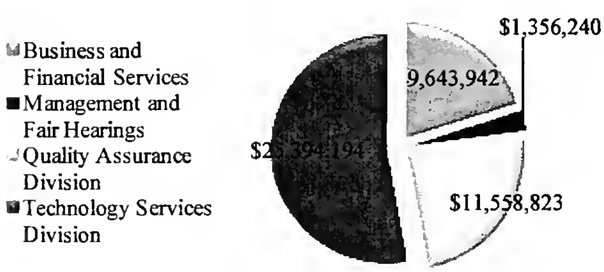
The $4.8 million of state special revenue used across the biennium by the branch primarily supports agency-wide fixed costs and functions associated with special fund sources supporting costs such as the medical marijuana registry and Healthy Montana Kids related system development, network connections, on-line application, as well as the Kids Insurance Determination System (KIDS) and the Health Insurance Premium Payment system (HIPPS).

2013 Biennium State Special Revenue $5.0 M



Federal funds through the cost allocation process serve as the driver for the amount of general fund used by the branch.

2013 Biennium Federal Funding $48.0 M



Expenditures by Division

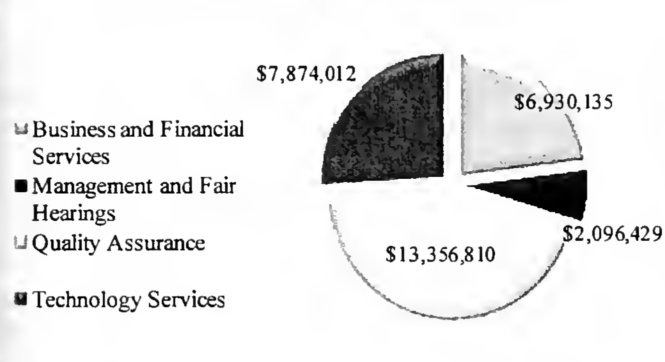
Personal services costs for the branch total $30 million for the biennium. The QAD, with 114.24 FTE, accounts for the largest share of the biennium total at $13.0 million. TSD has 56.10 FTE with total expenditures of $7.9 million; while BFSD has 66.50 FTE and $6.9 million in total costs. MFH has 14.00 FTE and $2.1 million in costs over the biennium.

TSD has fewer FTE, but greater personal services costs than BFSD. The major cause for the difference is the wage to market ratio in the TSD information technology and system areas.

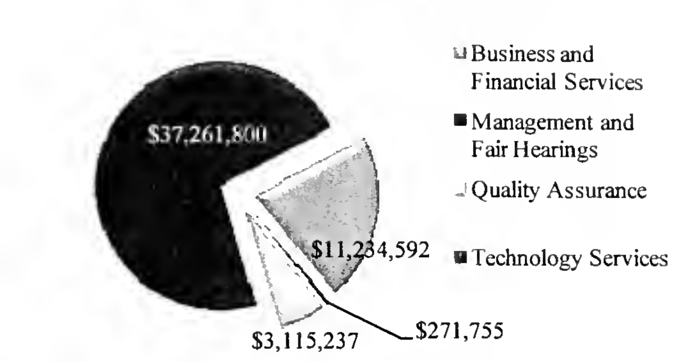
Operating costs for TSD are the highest in the branch at $37.3 million over the biennium, of which $17.1 million supports contracted computer system development and maintenance contracts. Over $16.6 million is for IT services charged by the Department of Administration (DOA) for server hosting, enterprise services, asset broker, and network services. The costs reflect the fact that TSD provides technology support and manages contracted services for technology projects that serve the entire agency.

BFSD has $11.2 million in operating expenses, reflective of its function as the centralized business center for the agency. The following charts show the branch expenditures by division for personal services and operations.

2013 Biennium Personal Services $29.9 M



2013 Operating Expenses $52.0 M



Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	15,604,180	15,604,180	31,208,360	101 15%	40,462,551	40,462,551	80,925,102	96 61%
Statewide PL Adjustments	(130,285)	(226,845)	(357,130)	(1.16%)	(31,605)	(228,252)	(259,857)	(0.31%)
Other PL Adjustments	(32,396)	283,163	250,767	0.81%	1,152,828	1,809,457	2,962,285	3.54%
New Proposals	(124,913)	(124,913)	(249,826)	(0.81%)	95,931	45,333	141,264	0 17%
Total Budget	**$15,316,586**	**$15,535,585**	**$30,852,171**		**$41,679,705**	**$42,089,089**	**$83,768,794**	

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	66.50	66.50	66.50	66.50	66.50	66.50	0.00	0.00%
Personal Services	3,097,980	3,436,408	3,466,216	3,463,919	6,534,388	6,930,135	395,747	6.06%
Operating Expenses	5,316,086	5,310,510	5,757,225	5,477,367	10,626,596	11,234,592	607,996	5.72%
Equipment & Intangible Assets	9,653	0	9,653	9,653	9,653	19,306	9,653	100.00%
Debt Service	5,674	25,235	5,674	5,674	30,909	11,348	(19,561)	(63.29%)
Total Costs	**$8,429,393**	**$8,772,153**	**$9,238,768**	**$8,956,613**	**$17,201,546**	**$18,195,381**	**$993,835**	**5.78%**
General Fund	3,330,441	3,359,068	3,667,845	3,532,965	6,689,509	7,200,810	511,301	7.64%
State Special	634,216	702,239	676,856	673,773	1,336,455	1,350,629	14,174	1.06%
Federal Special	4,464,736	4,710,846	4,894,067	4,749,875	9,175,582	9,643,942	468,360	5.10%
Total Funds	**$8,429,393**	**$8,772,153**	**$9,238,768**	**$8,956,613**	**$17,201,546**	**$18,195,381**	**$993,835**	**5.78%**

Program Description

The Business and Financial Services Division (BFSD) provides support services for the department, including financial and accounting oversight, cash management, preparation and filing of federal financial reports, purchasing supplies and equipment, payroll processing, accounts payable, facility reimbursement, audit coordination, lease management, mail handling, property management, and records management.

The division also provides leadership and guidance in the development and implementation of accounting policies and procedures and best business practices.

Statutory authority is in Title 17, Chapter 1, part 1, and Chapter 2, MCA, and 45 CFR Subtitle A, Part 92, Subpart C92.2.

Program Highlights

Business and Financial Services Division Major Budget Highlights
♦ Total funding for the division increases 5.8% when the 2011 and 2013 biennia are compared, primarily due to increases in statewide present law adjustments ♦ The Governor proposes a 5% general fund reduction in operation costs over the biennium of $50,062

Program Narrative

As shown in the introductory Program Budget Comparison, the division's 2013 biennium request is 5.8% higher than the 2011 biennium. Major increases for the biennium are in present law adjustments:

- Over $1.2 million in statewide present law adjustments that primarily support increases in:
  - Personal services of just over $1.0 million that are partially offset by reductions in vacancy savings of about $0.3 million
  - Fixed cost of $0.5 million

- $140,000 for the biennium in present law adjustments for contracted services that is partially offset by a reduction in operating costs of $50,062 over the biennium to continue the FY 2011 reductions ordered by the Governor in April 2010.

The increase in statewide present law adjustments for personal services is primarily due to fully funding positions that were not filled or partly filled in the base year. The Fiscal Policy and Support Services units used 67.8% and 76.8% of the base funded hours for FTE, respectively. Three positions were vacant for the entire year. Most of the increase is due to fully funding these positions and a few others throughout the division.

Because BFSD is the centralized business center for the agency, fixed costs annually comprise a large portion of operating expenditures. One of the largest fixed costs in the BFSD budget is the annual, agency-wide audit expense, which, as with all agencies, is assessed in the base year. The cost of the audit is estimated at nearly $400,000 for the 2013 biennium. The increase in audit costs over the base year accounts for over half of the increase in the general fund in FY 2012. The other large fixed cost increase is the sum of the state-wide cost allocation and other costs that are set and assessed by the Department of Administration. These assessments represent the balance of the increases over the biennium in fixed costs.

Goals and Objectives

2013 Biennium Goals

The Legislative Finance Committee recommends the legislature consider the following critical goal and performance measurement(s) as part of its decisions on the executive's budget requests for this program.

BFSD could be impacted by the following overarching critical goals that the LFC recommended be discussed during the division budget presentation and, if appropriate, followed through the budget cycle:

- o Implement components of federal health insurance reform
    - Integrate Medicaid eligibility determination in the health insurance exchange design
    - Evaluate the potential for a single system to determine Medicaid eligibility
    - Estimate the cost of Medicaid eligibility expansion for consideration by the 2013 Legislature
- o Continue to monitor implementation of Healthy Montana Kids
- o Review impact of economy on workload and programs
- o Study the effect of broad based budget reductions such as the proposed 4% FTE/personal services reductions

Additionally, the LFC lauded the interim reports by the BFSD about its financial controls and asked BFSD to present an update on its work to the subcommittee during its budget presentation for the 2011 Legislative Session because the functionality of the goal provides on-going information for legislative discussion of efficient and effective business practices, as shown in the following summary of interim reports.

Interim Reporting / Successful tasks: The risk assessment baseline was completed by June 30, 2009. A risk assessment model was developed using qualitative and quantitative information to evaluate the existing failure risk for major business objectives. Twelve major business processes were evaluated. The risk process identified two high risk business processes: Facility Reimbursements and Medicaid Payments. Risk management steps were completed in the areas of procedure development, claims audits, workload reassignments, staff development and increased management involvement.

The FY 2010 risk assessment began with 34 significant business processes identified in categories such as procurement and payment processes, client service provision and payment processes, grants management, cash flow, financial reporting and resource management. Each business process would be scored under a weighted risk evaluation model and business processes scoring the highest on the risk evaluation model would be targeted for risk management activities and increased testing.

LFD COMMENT

Continuation of Reports

Because this performance measure ties to DP 6003 for internal controls contract annualization, the

2013 session joint appropriations subcommittee may wish to recommend continuation of this goal, and visit with the division about its ability to provide information on any major current or estimated expenses or cost savings for discussion during the interim since this component has not been addressed. There is further discussion and options about this goal in the Present Law section.

5% Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5 percent. The following summarizes the plan submitted for this program.

The total 5% reduction plan for the BFSD would reduce general fund by $116,276 over the biennium and contains:

- A $50,062 general fund request in DP 55140 for reductions in operations over the biennium. The total funds reduction would be $120,124
- A $66,214 general fund proposal that is not in the executive budget. Over the biennium this proposal would reduce general supplies, travel, training and education, and temporary services. Reductions would also be made through the utilization of multi-function printers rather than stand alone or network printers, copiers, and scanners.

There is a detailed listing of the 5% plans in the Operations Branch Overview.

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as requested by the Governor.

Program Funding Table
Business & Financial Services Division

Program Funding		Base FY2010	% of Base FY2010	Budget FY2012	% of Budget FY2012	Budget FY2013	% of Budget FY2013
01000	Total General Fund	$ 3,330,441	39.5%	$ 3,667,845	39.7%	$ 3,532,965	39.4%
	01100 General Fund	3,330,441	39.5%	3,667,845	39.7%	3,532,965	39.4%
02000	Total State Special Funds	634,216	7.5%	676,856	7.3%	673,773	7.5%
	02382 6901-02 Indrct Activty Prog 06	634,216	7.5%	676,856	7.3%	673,773	7.5%
03000	Total Federal Special Funds	4,464,736	53.0%	4,894,067	53.0%	4,749,875	53.0%
	03591 6901-03 Indrct Activty Prog 06	4,464,736	53.0%	4,894,067	53.0%	4,749,875	53.0%
Grand	Total	$ 8,429,393	100.0%	$ 9,238,768	100.0%	$ 8,956,613	100.0%

The program receives general fund, state special revenue, and federal funds through a complicated, federally approved cost allocation formula that is generally referred to as indirect activity. The funding formula is derived from those funds expended on functions benefitting or serving other programs in the department. As shown in the funding table, federal funding comprises 53.0% of the budget, general fund nearly 39.7%, and state special revenue about 7.3%.

As mentioned in the program narrative, while the 2013 biennium funding percentages nearly match those of the 201 biennium, the actual amount of general fund increases by over $0.5 million primarily due to the agency-wide audit that i traditionally placed in the base year and expended over the biennium.

While general fund supports programs throughout BFSD via cost allocation, it is the primary support for the Facilit Reimbursements Unit at $1.4 million over the biennium. Facility reimbursement staff collects private funds, insurance Medicaid, and Medicare funds that reimburse the general fund. Collections in FY 2010 were over $29.4 million – a increase from $20.0 million in FY 2006 and $26.7 million in FY 2008.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	3,330,441	3,330,441	6,660,882	92.50%	8,429,393	8,429,393	16,858,786	92.65%
Statewide PL Adjustments	335,104	200,224	535,328	7.43%	764,406	482,251	1,246,657	6.85%
Other PL Adjustments	2,300	2,300	4,600	0.06%	44,969	44,969	89,938	0.49%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	**$3,667,845**	**$3,532,965**	**$7,200,810**		**$9,238,768**	**$8,956,613**	**$18,195,381**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012 FTE	General Fund	State Special	Federal Special	Total Funds	Fiscal 2013 FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					512,665					510,269
Vacancy Savings					(144,429)					(144,330)
Inflation/Deflation					499					1,143
Fixed Costs					395,671					115,169
Total Statewide Present Law Adjustments		**$335,104**	**$32,034**	**$397,268**	**$764,406**		**$200,224**	**$28,951**	**$253,076**	**$482,251**
DP 6003 - Internal Controls Contract Annualization	0.00	27,331	10,606	32,063	70,000	0.00	27,331	10,606	32,063	70,000
DP 55140 - 17-7-140 Reduction - Operations Reduction	0.00	(25,031)	0	0	(25,031)	0.00	(25,031)	0	0	(25,031)
Total Other Present Law Adjustments	**0.00**	**$2,300**	**$10,606**	**$32,063**	**$44,969**	**0.00**	**$2,300**	**$10,606**	**$32,063**	**$44,969**
Grand Total All Present Law Adjustments	**0.00**	**$337,404**	**$42,640**	**$429,331**	**$809,375**	**0.00**	**$202,524**	**$39,557**	**$285,139**	**$527,220**

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- **Pay Plan Exceptions** – There were no exceptions to the pay plan across the divisions of DPHHS
- **Program Specific Obstacles** – BFSD competes with salaries from the financial sector or management professions in recruitment of workers for qualified staff for accounting, statistical and financial management tasks.
- **Vacancy** - The 7% vacancy savings was addressed at the agency level where each division was given a target. Overall management of the vacancy savings was based on critical needs and resources agency-wide with the agency director having final approval.
- **Legislatively Applied Vacancy Savings** - The division eliminated an architect position responsible for oversight of facility planning and management, remodeling, lease improvements and associated contracts. The agency is restructuring its approach to meeting these needs. The position was transferred to the Department of Administration.
- **Pay/Position Changes** - BSFD did not have any employee pay upgrades or pay changes.
- **Retirements** - BFSD has 37 out of 60 employees eligible to retire. There are 5 FTE estimated to retire in the 2013 biennium at a liability of $44,275.

DP 6003 - Internal Controls Contract Annualization - This request is to provide for $70,000 in contracted services in the Business and Financial Services Division for additional assistance in enhancing the department's internal control structure. Funding for this decision package is $27,331 general fund, $10,606 state special revenue, and $32,063 federal funds in each year of the biennium.

These funds were previously appropriated as contracted services during the 2009 legislative session for FY 2011 and are being requested again to continue internal audit review of the division's internal control structure and data systems, provide training to department staff in internal controls and fraud detection, and continue assistance in preparation of a continuous improvement plan for managing collections and receivables activities.

DP 55140 - 17-7-140 Reduction - Operations Reduction - This decision package reduces the general fund base budget for the BFSD. The amount represents the 5% budget reduction ordered by the Governor per 17-7-140, MCA in April 2010 and represents a continuation of the operations reduction implemented in FY 2011. BFSD will make operations reductions in areas of travel, conferences, supplies, newspaper ads, cell phone use, postage, and contracting.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	114.24	114.24	117.74	117.74	114.24	117.74	3.50	3.06%
Personal Services	6,224,216	6,416,360	6,679,453	6,677,357	12,640,576	13,356,810	716,234	5.67%
Operating Expenses	1,637,079	1,811,847	1,576,988	1,538,249	3,448,926	3,115,237	(333,689)	(9.68%)
Equipment & Intangible Assets	0	7,500	0	0	7,500	0	(7,500)	(100.00%)
Grants	554,578	550,380	554,578	554,578	1,104,958	1,109,156	4,198	0.38%
Total Costs	**$8,415,873**	**$8,786,087**	**$8,811,019**	**$8,770,184**	**$17,201,960**	**$17,581,203**	**$379,243**	**2.20%**
General Fund	2,318,099	2,571,000	2,341,671	2,343,445	4,889,099	4,685,116	(203,983)	(4.17%)
State Special	424,193	251,015	668,780	668,484	675,208	1,337,264	662,056	98.05%
Federal Special	5,673,581	5,964,072	5,800,568	5,758,255	11,637,653	11,558,823	(78,830)	(0.68%)
Total Funds	**$8,415,873**	**$8,786,087**	**$8,811,019**	**$8,770,184**	**$17,201,960**	**$17,581,203**	**$379,243**	**2.20%**

Program Description

The role of the Quality Assurance Division (QAD) is to protect the safety and well being of Montanans by monitoring and ensuring the integrity and cost-effectiveness of department programs.

The division fulfills its role by:

- Licensing, registering, and certifying health care, day care, and residential services
- Detecting and investigating abusive or fraudulent practices within the Medicaid and Supplemental Nutrition Assistance Program (SNAP, previously food stamps) and initiating recovery efforts
- Reducing Medicaid costs by identifying other insurers or parties responsible for paying a beneficiary's medical expenses
- Providing internal and independent audits for DPHHS programs
- Providing informal dispute resolution conferences for nursing facilities that dispute deficiency citations
- Monitoring and evaluating health maintenance organizations (HMOs) for quality assurance and network adequacy
- Maintaining a registry of certified nurse aides
- Approving and monitoring training programs for nurse aides
- Operating the Certificate of Need program
- Ensuring department compliance with the federal Health Information Portability and Accountability Act
- Operating the medical marijuana registry.

The division has field offices in Anaconda, Billings, Bozeman, Great Falls, Havre, Hinsdale, Kalispell, Miles City, and Missoula.

Statutory authority: 42 U.S.C. 1818 and 42 U.S.C. 1919; 45 U.S.C.; Title 50, Chapter 5, parts 1 and 2; Title 50, Chapter 5, part 11; Title 52, Chapter 2, part 7; and Title 53, Chapter 2, section 501 MCA; CFR 21,CFR 49, CFR 10; P.L. 102-359 (10-27-92).

Program Highlights

Quality Assurance Division Major Budget Highlights
♦ Total funding for the division increases 2.2% when the 2011 and 2013 biennia are compared, primarily due to increases in statewide present law adjustments ♦ The Governor proposes a 5% general fund reduction in operating and personal services costs over the biennium of $270,438 ♦ The increase in state special revenue is due to the increased use of the Medical Marijuana Registry

Program Narrative

Goals and Objectives

2013 Biennium Goal

The Legislative Finance Committee recommends the legislature consider the following critical goal and performance measurement(s) as part of its decisions on the executive's budget requests for this program.

The QAD could be impacted by the following overarching critical goals that the LFC has recommended be followed through budget cycle.

- Implement components of federal health insurance reform
    - Integrate Medicaid eligibility determination in the health insurance exchange design
    - Evaluate the potential for a single system to determine Medicaid eligibility
    - Estimate the cost of Medicaid eligibility expansion for consideration by the 2013 Legislature
- Continue to monitor implementation of Healthy Montana Kids
- Review impact of economy on workload and programs
- Review effect of broad based budget reductions (such as proposed 4% FTE/personal services reductions)

The DPHHS Reorganization

The Office of Fair Hearings was moved from the QAD into the Management and Fair Hearings Division (MFH). The move transferred 6.00 FTE and a budget of about $1.0 million for FY 2010 and FY 2011 to MFH. As noted in the agency overview, this move was made to eliminate the perception of conflict among the office and the division. The transfer is reflected in the base and the 2013 biennium funding.

Budget Increase

The increase from the 2011 biennium to the 2013 biennium is primarily in personal services due to statewide present law adjustments of just over $1.0 million to fully fund positions that were not filled or partly filled in the base year. The increase is offset by vacancy savings of just over $0.5 million. Vacant positions at the time of the snapshot used to determine the personal services starting point equated to 10.50 FTE. There is further discussion in the program personal services narrative later in the write-up.

The increase in state special revenue is due to present law and new proposals that address the growth in the Medical Marijuana Program and are funded via medical marijuana registry fees.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

The total 5% reduction plan for the QAD is included in the Governor's budget. It reduces general fund by $270,438 over the biennium by:

- o $170,896 in DP 55408 for a 4% reduction in personal services
- o $99,542 in DP 55140 for operations reduction

For a further discussion see the narrative for the individual decision packages below.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding Table
Quality Assurance Division

Program Funding		Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000	Total General Fund	$ 2,318,099	27.5%	$ 2,341,671	26.6%	$ 2,343,445	26.7%
	01100 General Fund	2,318,099	27.5%	2,341,671	26.6%	2,343,445	26.7%
02000	Total State Special Funds	424,193	5.0%	668,780	7.6%	668,484	7.6%
	02034 Earmarked Alcohol Funds	73,268	0.9%	71,076	0.8%	70,945	0.8%
	02380 02 Indirect Activity Prog 08	32,352	0.4%	32,043	0.4%	32,605	0.4%
	02497 6901-Lien & Estate - Sltcd	56,725	0.7%	56,686	0.6%	56,686	0.6%
	02566 Medical Marijuana	261,848	3.1%	508,975	5.8%	508,248	5.8%
03000	Total Federal Special Funds	5,673,581	67.4%	5,800,568	65.8%	5,758,255	65.7%
	03096 Discretionary Child Care	603,454	7.2%	640,686	7.3%	641,525	7.3%
	03251 Child Care Admin	114,370	1.4%	121,425	1.4%	121,585	1.4%
	03303 Title 18 Clia	88,610	1.1%	86,424	1.0%	86,277	1.0%
	03335 Fda Mammography Inspections	38,430	0.5%	38,430	0.4%	38,430	0.4%
	03530 6901-Foster Care 93.658	63,574	0.8%	59,724	0.7%	59,772	0.7%
	03580 6901-93.778 - Med Adm 50%	769,194	9.1%	793,586	9.0%	793,853	9.1%
	03597 03 Indirect Activity Prog 08	1,240,638	14.7%	1,205,123	13.7%	1,211,415	13.8%
	03934 Title 19	498,863	5.9%	586,457	6.7%	586,634	6.7%
	03935 Title 18	1,647,706	19.6%	1,663,605	18.9%	1,613,584	18.4%
	03948 T-19 Obra Nurse Aid	21,624	0.3%	21,605	0.2%	21,571	0.2%
	03960 Rural Hospital Flexibilty Prog	587,118	7.0%	583,503	6.6%	583,609	6.7%
Grand	Total	$ 8,415,873	100.0%	$ 8,811,019	100.0%	$ 8,770,184	100.0%

The Quality Assurance Division is funded primarily with federal funds at 65.7%. General fund supports 26.7% of program costs with the remaining 7.6% of budgeted expenditures supported by state special revenues.

The only funding category with a significant increase over the base year funding is state special revenue for medical marijuana registry fees, which is projected to increase by over $247,000 each year.

General fund supports some administrative functions, the state match for eligible costs in Medicaid, Title IV-E (foster care), and federal discretionary child care funds, community residential facilities, and program compliance; and the full cost of radiological equipment testing, certificate of need determinations, and state licensure for assisted living or other facilities that receive no federal support as required in MCA, Title 55, Part 5.

State special revenue includes alcohol taxes allocated to DPHHS, lien and estate recoveries for Medicaid services, medical marijuana registry fees, and indirect cost recovery funds. Alcohol taxes fund staff and operational costs for chemical dependency program licensure. Lien and estate funds pay for services to pursue recoveries for the costs of Medicaid, mainly for nursing home services. Medical marijuana registry fees cover the cost of administering the registry.

There are 11 separate federal funding sources in the Quality Assurance Division budget request. Some of the federal sources support more than one function. For instance, Medicaid funds support: 1) third party recovery; 2) the surveillance, utilization, and review unit (SURS); 3) the nurse aide registry for nursing homes; and 4) the Department of Justice fraud surveillance contract. Medicaid and Medicare funds support certification of services such as nursing home and home health services. Medicare CLIA (clinical laboratory improvement amendments) pays for reviews of some laboratories in order to qualify the labs for federal funding. The rural hospital flexibility grant supports grants and other activities for local hospitals to maintain their critical access hospital status. Childcare discretionary and administrative funding supports licensure of childcare facilities. Title IV-E pays the federal share of costs of licensing community residential facilities to provide foster care. Mammography funds pay for contracted inspections of mammography equipment. Federal indirect funding represents the federal share of allocated administrative costs.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	2,318,099	2,318,099	4,636,198	98.96%	8,415,873	8,415,873	16,831,746	95.74%
Statewide PL Adjustments	154,038	152,719	306,757	6.55%	263,252	262,174	525,426	2.99%
Other PL Adjustments	(45,018)	(41,925)	(86,943)	(1.86%)	(3,502)	7,339	3,837	0.02%
New Proposals	(85,448)	(85,448)	(170,896)	(3.65%)	135,396	84,798	220,194	1.25%
Total Budget	**$2,341,671**	**$2,343,445**	**$4,685,116**		**$8,811,019**	**$8,770,184**	**$17,581,203**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on thes items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrativ descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					550,524					548,9
Vacancy Savings					(270,990)					(270,9)
Inflation/Deflation					(17,539)					(17,1)
Fixed Costs					1,257					1,5
Total Statewide Present Law Adjustments		**$154,038**	**$30,535**	**$78,679**	**$263,252**		**$152,719**	**$30,402**	**$79,053**	**$262,**
DP 55140 - 17-7-140 Operational Reductions	0.00	(49,771)	0	0	(49,771)	0.00	(49,771)	0	0	(49,7)
DP 80003 - Non DofA rent adjustment	0.00	4,753	887	11,009	16,649	0.00	7,846	1,465	18,179	27,0
DP 80005 - Medical Marijuana Program Annualization	0 00	0	29,620	0	29,620	0.00	0	29,620	0	29,0
Total Other Present Law Adjustments	**0.00**	**($45,018)**	**$30,507**	**$11,009**	**($3,502)**	**0.00**	**($41,925)**	**$31,085**	**$18,179**	**$7,9**
Grand Total All Present Law Adjustments	**0.00**	**$109,020**	**$61,042**	**$89,688**	**$259,750**	**0.00**	**$110,794**	**$61,487**	**$97,232**	**$269,3**

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- **Pay Plan Exceptions** – There are no exceptions to the pay plan across the divisions of DPHHS
- **Program Specific Obstacles** – QAD competes with the salaries for medical and facilities management professions in recruitment of workers for qualified staff to perform inspections in nursing homes, hospitals, and medical laboratories.
- **Vacancy** – There has been a recent turnover in compliance specialists. Across the agency, the causes appear linked to high workloads, burnout, and low wages. In some areas causes include cost of living and market competition for talented workers.
- **Legislatively Applied Vacancy Savings** – The 7% vacancy savings was addressed at the agency level
- **Pay/Position Changes** – There were two positions that were upgraded and received a pay change. The job profile for a license and permit tech position was updated and the duties of an eligibility technician were reassessed by the Department of Administration.
- **Retirements** – QAD has 63 out of 106 employees, or 59.4% of its workforce that are eligible for retirement. The division estimates that 9 would retire in the 2013 biennium for an anticipated liability of $79,695.

The 2009 Legislature Addressed a Workforce Need

House Joint Resolution 17 from the 2009 legislative session requested a look at the shortage of licensed nursing staff, especially in rural communities. A workgroup to study the issue of the use of medication aides in nursing homes was created in October 2009 by the Department of Public Health and Human Services and the Department of Labor and Industry. The workgroup was to discuss and make recommendations on the use of medication aides in nursing homes and obtain and review information from appropriate state or national organizations related to the use of medication aides.

The work group made recommendations for qualifications and curriculum. The full resolution, recommendations, and curriculum can be viewed at: http://www.dphhs.mt.gov/qad/hj17/index.shtml

DP 55140 - 17-7-140 Operational Reductions - This request represents the 5% general fund base budget reduction ordered by the Governor per 17-7-140 in April of 2010. The $99,542 total general fund reduction for the biennium represents the continuation of the operations reduction implemented in FY 2011. The QAD would make operations reductions in the areas of travel, reallocation of office space, and reassignment of leased vehicles.

DP 80003 - Non DofA rent adjustment - The executive requests $44,139 over the biennium to cover the leases on non-state owned buildings. The total general fund is $12,598.

DP 80005 - Medical Marijuana Program Annualization - The executive requests $59,240 in state special revenue authority over the biennium for the Medical Marijuana program due to expenses related to projected increases in participation and in the production and issuance of registry identification cards. The Medical Marijuana program is totally funded by state special revenue from medical marijuana registry fees.

As of August 2010 the medical marijuana registry had 22,635 participants with identification cards. For every participant that has named a caregiver, two cards are generated, one for the participant and one for the caregiver. In addition, the department issues new cards to participants and caregivers whenever a caregiver change occurs or due to changes in address of either the participant or caregiver.

Current participation growth rates show an increase of approximately 7% per month. It is estimated that the number of participants will cap at about 5% of the population of Montana, or 45,000 participants. This would result in the production and mailing of 90,000 cards per year or 7,500 per month.

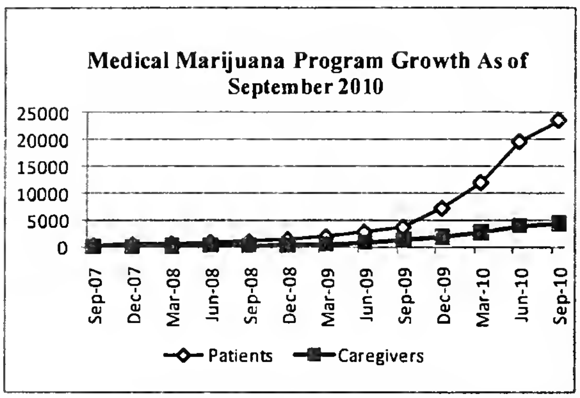
Base year costs for card production and postage was $51,160, or $1.80 per participant. Estimated card production and postage for 45,000 participants is $80,780. An additional $29,620 is needed each year of the biennium for increased card production and postage costs.

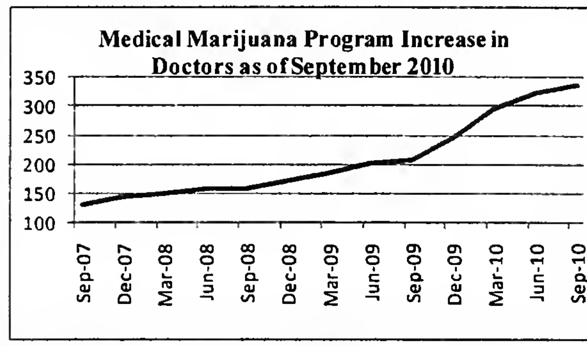
LFD COMMENT

Title: Growth of the Medical Marijuana Registry

The following charts show the growth of the registry for patients, caregivers and doctors from September 2007 through September 2010.

In September of 2007 there were 428 patients, 161 caregivers, and 130 doctors. By September 2009 the registry had grown to 3,821 patients, 1,403 caregivers, and 209 doctors. The registry reached 23,613 patients, 4,463 caregivers, and 338 doctors in September of 2010.





Source of data: DPHHS Medical Marijuana Progran

The Children, Families, Health and Human Services Interim Committee also discussed topics related to the Montana Medical Marijuana Act because of the questions raised by many people in the state and local government, law enforcement, and the medical marijuana industry. Information about the activities related to this topic can be found a http://leg.mt.gov/css/Committees/interim/2009_2010/Children_Family/Emerging-Issue/default.asp

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals	Fiscal 2012					Fiscal 2013				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55408 - 4% Personal Srvcs GF Reduction										
08	0.00	(85,448)	103,044	(12,701)	4,895	0.00	(85,448)	102,662	(12,558)	4,65
DP 80001 - Nurse Aide Registry Database										
08	0.00	0	0	50,000	50,000	0.00	0	0	0	
DP 80002 - Medical Marijuana Program Staffing										
08	3.50	0	80,501	0	80,501	3.50	0	80,142	0	80,14
Total	**3.50**	**($85,448)**	**$183,545**	**$37,299**	**$135,396**	**3.50**	**($85,448)**	**$182,804**	**($12,558)**	**$84,79**

DP 55408 - 4% Personal Srvcs GF Reduction - This request includes a 4% personal service reduction applied to mos agencies. It is a reduction to the base of $170,896 general fund and $25,259 federal funds over the biennium that i offset by an increase of $205,706 in state special revenue. The general fund savings is achieved through th reassignment of three positions from a QAD unit that is paid through a combination of general fund, state specia revenue and federal funds to units that are paid 100% with state special revenue or federal funds.

DP 80001 - Nurse Aide Registry Database - This request is for an electronic database to track the federal requirement for a Nurse's Aide Registry. This database is funded entirely with federal Title 18 (Medicare) funds.

DP 80002 - Medical Marijuana Program Staffing - This request is for $160,643 state special revenue over the biennium to address staffing to process medical marijuana applications for patients and care givers. The request is for the difference in funding between base year costs that were for temporary personnel and the estimated cost for 3.50 permanent FTE in the 2013 biennium.

QAD obtained temporary help to address the rapid increase in applications in the 2011 biennium as requests went from the 2,923 enrolled patients at the beginning of the biennium to over 25,000 by October, 2010.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	56.10	56.10	56.10	56.10	56.10	56.10	0.00	0.00%
Personal Services	4,196,624	3,810,134	3,937,809	3,936,203	8,006,758	7,874,012	(132,746)	(1.66%)
Operating Expenses	18,102,989	16,336,072	18,263,483	18,998,317	34,439,061	37,261,800	2,822,739	8.20%
Equipment & Intangible Assets	100,910	345,287	100,910	100,910	446,197	201,820	(244,377)	(54.77%)
Grants	0	0	0	0	0	0	0	n/a
Debt Service	143,197	244,617	143,197	143,197	387,814	286,394	(101,420)	(26.15%)
Total Costs	**$22,543,720**	**$20,736,110**	**$22,445,399**	**$23,178,627**	**$43,279,830**	**$45,624,026**	**$2,344,196**	**5.42%**
General Fund	9,529,407	8,129,976	8,836,512	9,189,003	17,659,383	18,025,515	366,132	2.07%
State Special	877,354	1,091,868	1,098,906	1,105,411	1,969,222	2,204,317	235,095	11.94%
Federal Special	12,136,959	11,514,266	12,509,981	12,884,213	23,651,225	25,394,194	1,742,969	7.37%
Total Funds	**$22,543,720**	**$20,736,110**	**$22,445,399**	**$23,178,627**	**$43,279,830**	**$45,624,026**	**$2,344,196**	**5.42%**

Program Description

The mission of the Technology Services Division (TSD) is to provide state-of-the-art support in operational and technological areas critical to the efficient and effective implementation of department programs.

- The Technology Services Division is responsible for the management, implementation and operations, of information technology (IT) systems and infrastructure that directly support department programs. TSD has three bureaus:
- The Project Management Bureau provides project management, contract management, and business analysis services in support of department IT projects. This bureau works closely with department program staff and IT vendors to develop and maintain mission critical systems.
- The Information Systems Bureau provides systems development, database administration, and data center hosting services. This bureau also operates the Technology Services Center, a computer help desk that provides first level support for employees and contractors conducting business for the department.
- The Network and Communications Bureau provides network administration services, which includes the installation and management of all personal computers, servers, printers, and other resources connected to the department's network. This bureau also serves as a liaison between the department and the State's central IT organization, the Department of Administration's Information Technology Services Division, for telecommunications and wide area network services.

The division administrator, who also serves as the department's chief information officer, is responsible for implementing strategic IT goals and objectives.

Statutory authority is in Title 17 and Title 40, MCA, and Title IV of the Social Security Act, Section 06, P.L. 96-265.

Program Highlights

Technology Services Division Major Budget Highlights
♦ Total funding for the division increases 5.4% when the 2011 and 2013 biennia are compared, primarily due to the net of: • $3.0 million over the biennium in maintenance, enhancement, and development of major economic assistance systems • $0.2 million in reductions for IT consultants, professional services, and other operating costs ♦ The Governor proposes a 5% general fund reduction in operating and personal services costs over the biennium of $949,004 ♦ The Governor placed the long range Montana Automated Child Welfare Information System (MACWIS) project on hold in April of 2010 as part of the 17-7-140 budget reductions

Program Narrative

Goals and Objectives

2013 Biennium Goal

The Legislative Finance Committee recommends the legislature consider the following critical goal and performance measurement(s) as part of its decisions on the executive's budget requests for this program.

In its leadership role for the management, implementation, and operations of information technology (IT) systems and infrastructure that directly support department programs, TSD could be impacted by the following overarching critical goals that the LFC has recommended be discussed during the division budget presentation and, if appropriate, followed through the budget cycle:

- Implement components of federal health insurance reform
    - Integrate Medicaid eligibility determination in the health insurance exchange design
    - Evaluate the potential for a single system to determine Medicaid eligibility
    - Estimate the cost of Medicaid eligibility expansion for consideration by the 2013 Legislature
- Continue to monitor implementation of Healthy Montana Kids
- Review impact of economy on workload and programs
- Study the effect of broad based budget reductions such as the proposed 4% FTE/personal services reductions

Program Overview

As shown in the introductory budget comparison table, the largest change from the 2011 biennium to the 2013 biennium, $2.8 million increase in operating expenses. It is primarily due to:

- $2.4 million over the biennium in the eligibility and management system (TEAMS) maintenance and enhancement
- $0.6 million in FY 2013 for the Temporary Assistance for Needy Families (TANF) system development
- $0.2 million in reductions for IT consultants and professional services and other unallocated operating expenses

The $2.8 million increase supports IT consulting and professional services for the maintenance, enhancement, and support of these large data systems.

Reductions occur in personal services, equipment, and debt service totaling nearly $0.5 million primarily because of vacancy savings and lack of need to fund longevity for positions that are presently vacant, and reduced debt for leases for

over 400 of the agency's desktop computers for the Offices of Public Assistance, network servers, and electronic benefit transfer servers.

Staffing and Contracted Services

TSD has 56.10 FTE that are funded though HB 2 and 18.00 modified FTE positions that are funded through the Long Range Information Technology (LRIT) appropriations in HB 4 (2007 session) and HB 10 (2009 session). Additionally, staff manages contracted entities that develop, maintain, and support the systems that provide a wide variety of services related to program eligibility determination, claims processing, data collection, case management support, and payment processing.

Within the $37.2 million request for operating costs, $17.1 million supports contracted computer system development and maintenance and over $16.6 million is for IT services charged by the Department of Administration (DOA), reflective of the fact that TSD either provides technology support or manages contracted services for technology projects that serve the entire agency. All categories are funded through cost allocation using a formula that recognizes the multiple funding sources and required general fund matches.

The Functions of the Technology Services Division

TSD budget responsibilities for technology projects are generally linked to HB 2 or the long range technology proposals in HB 10. A project may also be launched by other legislation. Presently, TSD manages a HB 2 budget of $45.6 million, the long-range IT project budget of $86 million, and the budget of $4.3 million for technology related to HB 157 from the 2009 session that initiated funding for the Healthy Montana Kids Initiative. Figure 1 is based upon the Governor's budget request and shows how the division divides and funds its workload and provides services. After Figure 1, there is a discussion of the long-range IT projects.

Technology Services Division
Summary of Funding by Function

Function	Fiscal 2010 Actual General Fund	Fiscal 2010 Actual Total Funds	Fiscal 2012 Requested General Fund	Fiscal 2012 Requested Total Funds	Fiscal 2013 Requested General Fund	Fiscal 2013 Requested Total Funds	2013 Biennium General Fund	2013 Biennium Total Funds	Change to Base*	% Div
Centralized Services										
Division Administration	$179,678	$499,549	$96,735	$367,717	$97,161	$368,893	$193,896	$736,610	-26.3%	
TSD Agencywide Costs	2,042,661	4,452,387	1,625,030	3,555,211	1,665,520	3,643,795	3,290,550	7,199,006	-19.2%	
Network & Communications Services	643,526	1,546,990	619,314	1,490,914	618,934	1,490,044	1,238,248	2,980,958	-3.7%	
Information Systems Bureau	768,154	2,163,003	763,027	2,152,500	762,543	2,151,133	1,525,570	4,303,633	-0.5%	
Project Management Bureau	216,516	667,244	218,355	672,898	218,328	672,815	436,683	1,345,713	0.8%	
Total Centralized Services	$3,850,535	$9,329,173	$3,322,461	$8,239,240	$3,362,486	$8,326,680	$6,684,947	$16,565,920	-11.2%	
Contracted Computer Systems										
TEAMS	1,559,365	3,661,529	1,657,218	4,851,658	1,658,968	4,855,158	3,316,186	9,706,816	32.6%	
SEARCHS	648,460	2,750,001	647,440	2,745,664	647,440	2,745,664	1,294,880	5,491,328	-0.2%	
CAPS	1,160,136	1,918,590	1,104,845	1,852,902	1,104,845	1,852,902	2,209,690	3,705,804	-3.4%	
Montana Access	739,012	1,707,532	675,147	1,648,951	675,147	1,648,951	1,350,294	3,297,902	-3.4%	
CHIMES System	1,402,924	2,803,273	1,390,340	2,780,680	1,390,340	2,780,680	2,780,680	5,561,360	-0.8%	
Other Systems and Small Adjustments	168,975	373,622	39,061	326,304	349,777	968,592	388,838	1,294,896	73.3%	
Total Contracted Computer Systems	5,678,872	13,214,547	5,514,051	14,206,159	5,826,517	14,851,947	11,340,568	29,058,106	9.9%	
Total Operations & Technology Div.	9,529,407	22,543,720	8,836,512	22,445,399	9,189,003	23,178,627	18,025,515	45,624,026	1.2%	

*Percent of increase or decrease from the base year doubled.

Nearly 63.7% of the division's expenditures are projected to support contracted computer development and maintenance. These systems provide a wide variety of services related to program eligibility determination, claims processing, data collection, case management support, and payment processing.

The increase in the TEAMS system is associated with DP 90004, which is a $2.4 million total fund request for the biennium for maintenance and enhancement increases including the Child and Adult Protective Services system (CAPS) and the System for Enforcement and Recovery of Child Support (SEARCHS). The increase in Other Systems is due to DP90007, which is a $0.6 million total fund request for FY 2013 for the TANF and Supplemental Nutrition Assistance Program (SNAP) maintenance and enhancement increases. There is further discussion in the present law discussion of this write-up.

IT Projects That Are Not Funded Through HB 2

The following two sections discuss systems under TSD management that are funded through the Long Range IT funding and HB 645 from the 2009 Legislative Session.

TSD Manages $86 million in Long-Term IT Projects

In addition to the HB 2 budget reflected in the above Figure 1, TSD presently manages IT projects for DPHHS.

Not all of the funding on IT systems is spent in a single biennium. The present long-range IT budget timeline began with the 2007 legislative session and is projected to last through the 2015 biennium because the division opts to focus on early, in-depth planning using DPHHS staff prior to entering the "request for proposal" phases. Funding generally remains in the long-range IT budget administered by DOA until the completion of the project, which includes the warranty period.

The projects attached to the present long-range appropriation are:

- $29 million - CHIMES - the Combined Healthcare Information and Montana Eligibility System upgrade and replacement comprised of:
  - $16 million - TANF system for eligibility determination, benefit distribution and program administration presently in the planning phase and scheduled for implementation August 2011
  - $13 million - SNAP - component (formerly called the Food Stamp Eligibility System) for eligibility determination, benefit distribution, and program administration presently in the planning phase and scheduled for implementation August 2011
- $27 million - MACWIS – the Montana Automated Child Welfare System designed to replace the Child and Adult Protective Services system (CAPS), of which $18.4 million was removed as part of the 17-7-140 reductions
- $5.8 million - The systems for the I-155 - Healthy Montana Kids (HMK) voter initiative that is supported by state and federal special revenue for system development, network connections, on-line application, and maintenance for the CHIMES and MMIS systems as well as the Kids Insurance Determination System (KIDS) and the Health Insurance Premium Payment system (HIPPS).

The following table illustrates the distribution of the long-range IT projects through the 2013 biennium.

Summary of Major System Funding in Long Range Information Technology and Legislative Action								
System Design	Total 2009 Biennium Actual	FY 2010 Actual	FY 2011 Estimated	Total 2011 Biennium Estimated	FY 2012 Estimated	FY 2013 Estimated	Total 2013 Biennium Estimated	Total Project Request
House Bill No. 4								
CHIMES - TANF								
TANF Block Grant	$358,919	$319,573	$2,922,635	$3,242,208	$3,890,656	$1,173,144	$5,063,800	$8,664,927
General Fund	302,740	283,089	2,591,771	2,874,860	3,450,205	1,019,899	4,470,104	7,647,704
Subtotal	$661,659	602,662	$5,514,406	$6,117,068	$7,340,861	$2,193,043	$9,533,904	$16,312,631
CHIMES - SNAP (Formerly Food Stamps)								
USDA Food & Nutrition	$248,203	$256,058	$2,287,023	$2,543,081	$3,032,449	$749,185	$3,781,634	$6,572,918
General Fund	228,534	255,792	$2,287,023	2,542,815	3,032,449	769,119	3,801,568	6,572,917
Subtotal	$476,737	$511,850	$4,574,046	$5,085,896	$6,064,898	$1,518,304	$7,583,202	$13,145,835
MACWIS Remainig After 17-7-140 Reductions *								
Title IV-E Revenue	$271,087	$431,735	$68,347	$500,082	$747,500	$0	$747,500	$1,518,669
General Fund	292,035	431,737	68,347	500,084	747,500	0	747,500	1,539,619
Subtotal	$563,122	$863,472	$136,694	$1,000,166	$1,495,000	$0	$1,495,000	$3,058,288
House Bill No. 10								
MMIS Replacement								
Medicaid Match Available	$0	$364,421	$10,230,410	$10,594,831	$8,701,722	$27,354,505	$36,056,227	$46,651,058
General Fund	0	56,812	1,504,403	1,561,215	1,279,606	4,022,537	5,302,143	6,863,358
House Bill No. 10	$0	$421,233	$11,734,813	$12,156,046	$9,981,328	$31,377,042	$41,358,370	$53,514,416
Total HB No. 4 and HB No. 10 Systems								
Total Federal Funds	$878,209	$1,371,787	$15,508,415	$16,880,202	$16,372,327	$29,276,834	$45,649,161	$63,407,572
Total General Fund	823,309	1,027,430	6,451,544	7,478,974	8,509,760	5,811,555	14,321,315	22,623,598
Total	$1,701,518	$2,399,217	$21,959,959	$24,359,176	$24,882,087	$35,088,389	$59,970,476	$86,031,170
House Bill No. 157								
Healthy Montana Kids								
Federal Funds		$477,321	$825,426	$1,302,747	$999,435	$545,960	$1,545,395	$2,848,142
State Special Revenue		251,302	434,574	685,876	526,187	287,440	813,627	1,499,503
Total Healthy Montana Kids		$728,623	$1,260,000	$1,988,623	$1,525,622	$833,400	$2,359,022	$4,347,645

* The original MACWIS project budget was $27 million with $15.2 milllion LRIT funds and $11.9 million in federal funds.

The Montana Automated Child Welfare Information System

The Governor also included the MACWIS system as part of the 17-7-140 reductions. The $10.3 million reduction impacts both the Child and Family Services Division (CFSD) and TSD and delays the DPHHS system upgrade for at least two years. When the Governor put the project on hold, CFSD and TSD had completed the system requirements definition and a draft RFP. No work has been done since MACWIS was officially placed on hold.

2007 Legislature

The system was initially funded in HB 4 with LRIT funding during the 2007 May Special Session and was being designed to replace the antiquated Child and Adult Protective Services system (CAPS) used in the monitoring of foster care cases, adoption cases, payment for service to providers, and reporting. CAPS was being replaced due to concerns that it was no longer capable of efficient and timely enhancements to meet the changing federal requirements attached to Foster Care and Subsidized Adoption tracking associated with federal Title IV-E funding. The proposed budget for MACWIS was $27.1 million with $15.2 million in LRIT funds and $11.9 million in federal funds. At the time the project was placed on hold LRIT funds totaling $8.7 million ($4.9 million general fund and $3.8 million federal funds) in the LRIT account had been transferred to DPHHS, leaving $18.4 million ($10.3 million general fund and $8.1 million federal fund) in the LRIT account.

Current Status

With the MACWIS funding on hold CFSD continues its operations of the existing CAPS system and is working with TSD to address federal program compliance.

Federal Administration for Children and Families (ACF) staff conducted a site visit and evaluation of Montana's CAPS system to monitor its compliance with federal Statewide Automated Child Welfare Information System (SACWIS)

requirements. Following the evaluation, ACF determined it will permit Montana to continue using CAPS to claim funding for systems. This decision is contingent upon the State's commitment to either:

- o Immediately enhance CAPS so that it meets SACWIS requirement, or
- o Expeditiously develop a new system that meets all SACWIS requirements.

ACF continues to list Montana as having a SACWIS operational system on its Website.

As part of the Governor's 17-7-140, MCA Reduction Plan, the Office of Budget and Program Planning (OBPP) will introduce a bill to propose the postponement of MACWIS and the reversion of $10.3 million of LRIT funds to the general fund.

There is additional information in the Legislative Budget Analysis 2013 Biennium Volume 7 Section F, Long Range Planning.

Health Information Technology

The 2009 Legislature

The 2009 Legislature provided $714,000 general fund for the 2011 biennium in HB 645 to support the state match for a Health Information Technology (HIT) grant to develop a system to provide clinical information at the point of care and aggregated data for disease management capability. The exchange of healthcare information among healthcare facilities and providers is designed to lead to better quality healthcare in the form of reduced medical errors and reduced medical costs (e.g., redundancy of tests, duplication of therapies, drug interactions, etc.). Funding was to be used as a dollar-for-dollar match for federal funding.

Language in HB 645 specified that the department seek a nonprofit entity to guide the project. HealthShare Montana coordinates the grant project and TSD disburses the state funding.

The Governor's Budget Reduction

The Governor required a reduction of $50,000 to the $714,000 contract in April 2010 as part of the 17-7-140 general fund reductions. As of October 24, 2010, $403,578 had been spent out of the remaining $664,000.

LFD COMMENT

A Report on Information Technology

Given legislative approval of the HIT funding and interest in the project, the Governor's reduction, and the expanding concern with health care and health information technology at the federal level, the legislature may wish to have a presentation by HealthShare Montana and TSD during the TSD budget discussion covering: 1) an update to the $714,000 appropriation; 2) HIT related work TSD has planned over the 2013 biennium and how it would be funded; 3) an overview of the present and anticipated HIT requirements that would be attached or related to the federal health care reform and how they would be funded, as well as the impact on TSD and eligibility system for HMK, Medicaid, and any other systems; and 4) a progress report on the systems mentioned in the LRIT and legislative action table.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

The total 5% reduction plan for TSD would reduce general fund by $949,004 over the biennium

Items included in the Governor's budget are:

- o $78,930 in DP 55409 for a permanent operations reduction
- o $80,736 in DP 55142 to reduce system maintenance and enhancement.

- $35,036 in DP 55141 in operations reductions with a total funds reduction of $82,872.
- $56,924 in DP 55142 in systems efficiencies

There is further discussion of the reductions in the Governor's budget in the present law and new proposal sections of this write-up.

There are also general fund reductions of $697,378 for the biennium that are not in the executive budget. These proposals would reduce the TSD base year general fund by a further 7.3% and include:

- $126,520 in IT system operations reductions in the areas of processes, reports and software licenses. There is a savings of $379,376 total funds.
  - Potential impact: Some contracted services work would be absorbed by staff. TSD would have to manage tasks associated with federal reports to avoid tardiness that could result in sanctions.
- $290,114 for reductions in facilities management contracts for some legacy systems. This proposal brings a savings of $751,854 total funds, and is presented in addition to the similar DP 55142 that is listed in the present law section of this write up.
  - Potential impact: TSD identified a level of effort reductions that could be made across multiple M&E contracts. TSD would have to manage tasks that are associated with federal reports to avoid tardiness that could result in sanctions or loss of federal funds and to maintain quality service.
- $90,824 to reduce postage by sending eligibility notices via e-mail instead of postcard. There is a savings of $209,790 in total funds.
  - Potential impact: Programming changes would need to be made to eligibility systems allowing the capture of e-mail addresses and allow clients to opt-in or opt-out of receiving data through electronic format. Changes would be made within the contracted level of effort at no additional charge.
- $134,100 to reduce printing costs by providing notices and publications via e-mail. There is a total fund savings of $286,880.
  - Potential impact: Programming changes would need to be made to systems to include electronic notification address information and to allow clients to opt-in or opt-out of receiving data through electronic format. Changes would be made within the contracted level of effort at no additional charge.
- $55,820 by going to a five year replacement cycle for computers ($145,324 total fund savings)

There is a list of the 5% plans in the Operations Branch overview.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding Table
Technology Services Division

Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	$ 9,529,407	42.3%	$ 8,836,512	39.4%	$ 9,189,003	39.6%
01100 General Fund	9,529,407	42.3%	8,836,512	39.4%	9,189,003	39.6%
02000 Total State Special Funds	877,354	3.9%	1,098,906	4.9%	1,105,411	4.8%
02381 02 Indirect Activity Prog 09	877,354	3.9%	1,098,906	4.9%	1,105,411	4.8%
03000 Total Federal Special Funds	12,136,959	53.8%	12,509,981	55.7%	12,884,213	55.6%
03598 03 Indirect Activity Prog 09	12,136,959	53.8%	12,509,981	55.7%	12,884,213	55.6%
Grand Total	$ 22,543,720	100.0%	$ 22,445,399	100.0%	$ 23,178,627	100.0%

The total executive request for TSD is $45.6 million over the 2013 biennium. The division is funded with general fund state special revenue, and federal funds derived through a cost allocation formula that is applied to funding source throughout DPHHS that relate to work done by TSD, often referred to as indirect activities. The formula also takes an

federally required match percentages into account as well as any percentages assigned by the legislature. Federal funds account for 55.6% of the total biennium budget, general fund 39.6%, and state special revenue 4.8%.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	9,529,407	9,529,407	19,058,814	105.73%	22,543,720	22,543,720	45,087,440	98.82%
Statewide PL Adjustments	(665,018)	(624,993)	(1,290,011)	(7.16%)	(1,171,483)	(1,084,043)	(2,255,526)	(4.94%)
Other PL Adjustments	11,588	324,054	335,642	1.86%	1,112,627	1,758,415	2,871,042	6.29%
New Proposals	(39,465)	(39,465)	(78,930)	(0.44%)	(39,465)	(39,465)	(78,930)	(0.17%)
Total Budget	**$8,836,512**	**$9,189,003**	**$18,025,515**		**$22,445,399**	**$23,178,627**	**$45,624,026**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(94,740)					(96,410)
Vacancy Savings					(164,075)					(164,011)
Inflation/Deflation					6,806					6,847
Fixed Costs					(919,474)					(830,469)
Total Statewide Present Law Adjustments		**($665,018)**	**$53,876**	**($560,341)**	**($1,171,483)**		**($624,993)**	**$60,381**	**($519,431)**	**($1,084,043)**
DP 55141 - 17-7-140 Reduction - Operations Reduction	0.00	(17,518)	0	0	(17,518)	0.00	(17,518)	0	0	(17,518)
DP 55142 - 17-7-140 Reductions - Systems Reductions M&E	0.00	(40,368)	0	0	(40,368)	0.00	(40,368)	0	0	(40,368)
DP 55143 - 17-7-140 Reductions - Systems Reductions IVR Ports	0.00	(28,462)	0	0	(28,462)	0.00	(28,462)	0	0	(28,462)
DP 90004 - Systems M&E Contract Increases	0.00	97,936	167,676	933,363	1,198,975	0.00	99,686	167,676	935,113	1,202,475
DP 90007 - TANF/SNAP Systems M&E	0.00	0	0	0	0	0.00	310,716	0	331,572	642,288
Total Other Present Law Adjustments	**0.00**	**$11,588**	**$167,676**	**$933,363**	**$1,112,627**	**0.00**	**$324,054**	**$167,676**	**$1,266,685**	**$1,758,415**
Grand Total All Present Law Adjustments	**0.00**	**($653,430)**	**$221,552**	**$373,022**	**($58,856)**	**0.00**	**($300,939)**	**$228,057**	**$747,254**	**$674,372**

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Pay Plan Exceptions** – There were no exceptions to the pay plan across the divisions of DPHHS.
- **Program Specific Obstacles** - TSD competes with the salaries for IT specialists. The funding limitations and collective bargaining agreements restrict the agency's discretion for adjusting pay rates to address these challenges.
- **Vacancy** – Turnover in information systems technicians throughout the agency occurs primarily due to low wages, increased cost of living, and market competition.
- **Legislatively applied vacancy savings** - The 7% vacancy savings was addressed at the agency level.

- **Pay Changes** – TSD upgraded 5 positions, two of which had pay increases. The pay increases were for computer programmer positions for which new job profiles were submitted.
- **Retirements** - TSD has 36 out of 61 employees, or 59.0% of its workforce, that are eligible for retirement. The division estimates that 5 would retire in the in the 2013 biennium for an anticipated liability of $44,275.

DP 55141 - 17-7-140 - Operations Reduction - This decision package is part of the 5% general fund base budget reduction ordered by the Governor per 17-7-140 in April of 2010. The $35,036 total general fund reduction for the biennium represents the continuation of the operational efficiencies reduction implemented in FY 2011. The total fund reduction is $41,386.

According to TSD, it would make operations reductions in the areas of travel, conferences, supplies, newspaper ads, cell phone use, postage, and contracting.

DP 55142 - 17-7-140 Reductions - Systems Reductions M&E - This request represents part of the 5% general fund base budget reduction ordered by the Governor per 17-7-140 in April of 2010. The $80,736 general fund reduction over the biennium continues the maintenance and enhancement (M&E) reduction implemented in FY 2011 as adjusted to meet reduction costs for M&E in contracts for FY 2012 and FY 2013. The initial reduction was made by reducing services in the level of effort in the contracts affecting agency data systems such as the Child and Adult Protective Services system, the Systems for the Enforcement and Recovery of Child Support, and Montana Access.

According to TSD, it has reduced M&E contracts by a total of $419,648 over the past two years, which reduced contracted level of effort (LOE) services and brought M&E of the systems to minimum levels of maintenance and ability to meet federal and state reporting requirements and program rule changes.

DP 55143 - 17-7-140 Reductions - Systems Reductions IVR Ports - This request is part of the 5% general fund base budget reduction ordered by the Governor per 17-7-140 in April of 2010. The $56,924 general fund reduction for the 2013 biennium continues the FY 2011 reduction as adjusted to meet costs for IT ports into FY 2012 and FY 2013.

Reductions in costs were made by reducing the number of ports (phone lines) available on the Montana Access Interactive Voice Response (IVR) 1-800 system to aid clients in balance and benefit inquiry needs related to the Montana Access debit card. TSD saw a decrease between 6% and 8% to the 1-800 number in the first month of implementation. This request assumes that this trend will continue allowing a reduction in the number of active ports on the IVR system

DP 90004 - Systems M&E Contract Increases - This request is for $2.4 million total funds over the biennium of which $197,622 is general fund. Funds would support contractual cost increases for M&E of large data systems including Child and Adult Protective Services and the System for the Enforcement and Recovery of Child Support contracts.

The division currently holds three contracts for legacy systems M&E. All three of these contracts either have reached or will reach their expiration dates by the end of FY 2011. Maintenance and enhancements for the systems covered by these contracts is requested to enact federal regulatory and programmatic changes and enhancements and to provide general maintenance to correct system errors or make system enhancements that assist with improved processing or makes the system work more efficiently.

It is anticipated that the cost for the provision of level of effort (LOE) to provide programming services to affect M&E changes in the systems covered by these contracts will increase under new contracts.

DP 90007 - TANF/SNAP Systems M&E - This request is for $310,716 general fund and $642,288 total funds in FY 2013 only. Funding would support contractual costs for the M&E of the TANF and SNAP eligibility determination and benefits payment systems.

In FY 2008 TSD embarked on an effort to replace the TEAMS system that processed eligibility determination and benefit payments for TANF and SNAP and eligibility determination for Medicaid. The two systems are being built using

he CHIMES enterprise architecture platform that was used to build the new CHIMES Medicaid eligibility system, which vas implemented in October 2009.

Once a system is built and implemented, changing federal and state reporting requirements, program rules, regulations, dentified system efficiencies and repairs, are necessary. These efforts are traditionally managed through an M&E ontract. The division anticipates that savings between the base year costs for TEAMS system and the reduced cost after mplementation of the CHIMES TANF and SNAP would be used towards the M&E costs.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion f each new proposal are included in the individual program narratives.

ew Proposals										
	---Fiscal 2012---					---Fiscal 2013---				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
P 55409 - 4% Personal Svs GF Reduction										
09	0.00	(39,465)	0	0	(39,465)	0.00	(39,465)	0	0	(39,465)
Total	**0.00**	**($39,465)**	**$0**	**$0**	**($39,465)**	**0.00**	**($39,465)**	**$0**	**$0**	**($39,465)**

DP 55409 - 4% Personal Svs GF Reduction - This request represents a reduction in operations equal to the 4% personal ervice reduction applied to most agencies. It is a general fund base budget reduction of $ 78,930 over the biennium. he division received permission from the executive to make operational reductions permanent in lieu of the 4% ersonal services reductions. There would be no impact on FTE.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	14.00	14.00	14.00	14.00	14.00	14.00	0.00	0.00%
Personal Services	935,508	943,540	1,048,699	1,047,730	1,879,048	2,096,429	217,381	11.57%
Operating Expenses	138,057	102,996	135,820	135,935	241,053	271,755	30,702	12.74%
Debt Service	0	2,855	0	0	2,855	0	(2,855)	(100.00%)
Total Costs	**$1,073,565**	**$1,049,391**	**$1,184,519**	**$1,183,665**	**$2,122,956**	**$2,368,184**	**$245,228**	**11.55%**
General Fund	426,233	412,328	470,558	470,172	838,561	940,730	102,169	12.18%
State Special	30,990	23,768	35,637	35,577	54,758	71,214	16,456	30.05%
Federal Special	616,342	613,295	678,324	677,916	1,229,637	1,356,240	126,603	10.30%
Total Funds	**$1,073,565**	**$1,049,391**	**$1,184,519**	**$1,183,665**	**$2,122,956**	**$2,368,184**	**$245,228**	**11.55%**

Program Description

The Management and Fair Hearings Office (MFH) is responsible for all the oversight and management of the Operations Branch. MFH is made up of the Office of Budget and Finance and the Office of Fair Hearings.

The Office of Budget and Finance manages the department's budgeting processes and provides guidance and support to the eleven DPHHS divisions concerning the reporting and operation of its financial structure. It also oversees the day-to-day management of appropriations and operating budget changes for DPHHS and ensures that uniform budgeting processes are used throughout the department.

The Office of Fair Hearings provides impartial administrative hearings for individuals or entities that have been negatively impacted by a program administered by the department. Hearings Officers adjudicate a wide range of department-related issues, including:

- Eligibility and service issues for public assistance programs
- Licensing and certification issues
- Ability to pay for care in state institutions
- Denial of admission to or discharge from state institutions and long-term care facilities
- Substantiation of child abuse and neglect
- Eligibility for vocational rehabilitation services
- Enforcement of laws prohibiting sales of tobacco to minors
- Enforcement of the Montana Food, Drug and Cosmetic Act

The Office of Fair Hearings does not have jurisdiction over issues determined by the Child Support Enforcement Division.

Hearing officers research statutes, rules, regulations, policies, and court cases to reach conclusions of law. After weighing evidence and evaluating testimony, they issue written decisions that are binding unless appealed to the state Board of Public Assistance, the department director, or a district court.

Statutory authority is in Title 17, Chapter 1, part 1, and Chapter 2, MCA

Program Highlights

Management and Fair Hearings Major Budget Highlights
♦ Total funding for the division increases 11.6% when the 2011 and 2013 biennia are compared due to increases in statewide present law adjustments ♦ The Governor proposes a general fund reduction over the biennium of $2,532 as part of the 5% reduction plan ♦ Additional 5% plan reductions of $6,440 are not included in the executive budget

Program Narrative

As mentioned in the agency overview, the Management and Fair Hearings Program was created in the DPHHS reorganization. The Office of Budget and Finance and the Office of Fair Hearings and their existing budgets moved into the new structure. Additionally, positions of Branch Manager and Branch Financial Manager and associated, existing funding were moved to the new program to accommodate structural reorganization of the department. The positions are housed in the Office of Budget and Finance.

The program's 2013 biennium request is 11.6% higher than the 2011 biennium. The major increase for the biennium is from $225,365 in statewide present law adjustments that primarily support increases in:

- o Personal services of just over $312,000 that are partially offset by reductions in vacancy savings of about $87,000
- o The Governor's required reduction in operating costs of $2,532 over the biennium in April 2010 per MCA 17-7-140

Duties of the newly created MFH are carried out with a staff of 14.00 FTE, 8.00 of which work in the Office of Budget and Finance, and 6.00 of which work in the Office of Fair Hearings. The Branch Manager and Financial Manager are attached to the Office of Budget and Finance.

As shown in the introductory Program Budget Comparison, and concurrent with the duties of the programs, the majority of the requested expenditure increases for the 2013 biennium are for personnel costs. Projected expenses for staff account for 88% of the total biennial budget request while operations expenses account for 12% of the projected biennial total.

The increase in personal services is the net of statewide present law adjustment costs to fully fund the positions in the 2013 biennium including salaries, longevity, employee benefits, and health insurance that is offset by a reduction due to vacancy savings. There is further information in the statewide and present law sections of this write-up.

Goals and Objectives

<u>2013 Biennium Goal</u>

The Legislative Finance Committee recommends the legislature consider the following critical goal and performance measurement(s) as part of its decisions on the executive's budget requests for this program.

In its leadership role for the management and financial oversight, MFH could be impacted by the following overarching critical goals that the LFC has recommended be discussed during the division budget presentation and, if appropriate, followed through the budget cycle:

- o Implement components of federal health insurance reform
    - Integrate Medicaid eligibility determination in the health insurance exchange design

    - Evaluate the potential for a single system to determine Medicaid eligibility
    - Estimate the cost of Medicaid eligibility expansion for consideration by the 2013 Legislature
- o Continue to monitor implementation of Healthy Montana Kids
- o Review impact of economy on workload and programs
- o Study the effect of broad based budget reductions such as the proposed 4% FTE/personal services reductions

At the time of this writing, the exact impact on the MFH cannot be determined, but the management staff would be present at discussions involving technology systems, business processes, and overall performance measure discussion and reporting. The staff involvement as well as any budget impacts for the division will be determined as the process evolves.

5% Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

The total 5% reduction plan for the Management and Fair Hearings Program would reduce general fund by $8,972 over the biennium and contains:
- o A $2,532 general fund request that is in the executive budget as DP 55140 for reductions in MFH operations over the biennium
- o A $6,440 general fund proposal ($16,154 total funds) that is not in the executive budget and is presented for legislative consideration. Over the biennium the proposal would reduce:
    - Temporary services for the Fair Hearings unit by $3,720 general fund and $9,734 total funds
        - o Potential Impact: The program would have to manage the reduction in temporary services to ensure satisfactory customer service and support during times of peak workloads.
    - Travel across the program by $2,720 general fund and $6,420 total funds
        - o Potential Impact: Staff would take advantage of web enabled meeting tools to reduce travel.

There is a detailed listing of 5% plans in the Operations Branch Overview.

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table
Management And Fair Hearings

Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	$ 426,233	39.7%	$ 470,558	39.7%	$ 470,172	39.7%
01100 General Fund	426,233	39.7%	470,558	39.7%	470,172	39.7%
02000 Total State Special Funds	30,990	2.9%	35,637	3.0%	35,577	3.0%
02221 02 Indirect Activity Prog 16	30,990	2.9%	35,637	3.0%	35,577	3.0%
03000 Total Federal Special Funds	616,342	57.4%	678,324	57.3%	677,916	57.3%
03304 03 Indirect Activity Prog 16	616,342	57.4%	678,324	57.3%	677,916	57.3%
Grand Total	$ 1,073,565	100.0%	$ 1,184,519	100.0%	$ 1,183,665	100.0%

The program receives general fund, state special revenue, and federal funds through a complicated, federally approved cost allocation formula applied to all funds in the department that benefit common purposes met by MFH, generally referred to as indirect activity. As shown in the funding table, federal funding comprises 57.3% of the budget, general fund 39.7%, and state special revenue 3%.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	426,233	426,233	852,466	90.62%	1,073,565	1,073,565	2,147,130	90.67%
Statewide PL Adjustments	45,591	45,205	90,796	9.65%	112,220	111,366	223,586	9.44%
Other PL Adjustments	(1,266)	(1,266)	(2,532)	(0.27%)	(1,266)	(1,266)	(2,532)	(0.11%)
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	**$470,558**	**$470,172**	**$940,730**		**$1,184,519**	**$1,183,665**	**$2,368,184**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					156,887					155,877
Vacancy Savings					(43,696)					(43,655)
Inflation/Deflation					(346)					(341)
Fixed Costs					(625)					(515)
Total Statewide Present Law Adjustments		**$45,591**	**$4,647**	**$61,982**	**$112,220**		**$45,205**	**$4,587**	**$61,574**	**$111,366**
DP 55140 - 17-7-140 Operations Reduction	0.00	(1,266)	0	0	(1,266)	0.00	(1,266)	0	0	(1,266)
Total Other Present Law Adjustments	**0.00**	**($1,266)**	**$0**	**$0**	**($1,266)**	**0.00**	**($1,266)**	**$0**	**$0**	**($1,266)**
Grand Total All Present Law Adjustments	**0.00**	**$44,325**	**$4,647**	**$61,982**	**$110,954**	**0.00**	**$43,939**	**$4,587**	**$61,574**	**$110,100**

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Pay Plan Exceptions -** There are no exceptions to the pay plan across the divisions of DPHHS.
- **Program Specific Obstacles -** MFH has occupations that encompass management, budget, and hearings officers. Recruitment issues are consistent with those of the department as a whole.
- **Vacancy** –MFH does not find particularly high turnover; however, it is subject to turnover due to advancement, retirement, and other typical issues.
- **Legislatively applied vacancy savings –** The 7% vacancy savings was addressed at the agency level and each division was given a target. Overall management of the vacancy savings was based on critical needs and resources agency-wide with the agency director having final approval.
- **Pay Changes** – Because of the reorganization, equivalent positions were moved into vacant positions within in the branch. There were no changes for MFH.
- **Retirements** – MFH has 6 out of 13 employees eligible for retirement. Two employees are anticipated to retire in the 2013 biennium for a liability of $17,710.

DP 55140 - 17-7-140 Operations Reduction - This decision package reduces the general fund base budget for the Management and Fair Hearings program. This amount represents the 5% budget reduction required by the Governor per

17-7-140 in April 2010 and continues the operations reduction implemented in FY 2011. The Management and Fair Hearings Program would make operations reductions through efficiencies in the areas of travel, conferences, supplies, newspaper ads, cell phone use, postage and contracting.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	193.50	193.50	196.00	196.00	193.50	196.00	2.50	1.29%
Personal Services	10,896,808	11,020,057	11,650,803	11,648,813	21,916,865	23,299,616	1,382,751	6.31%
Operating Expenses	12,741,886	13,876,003	13,422,445	13,427,378	26,617,889	26,849,823	231,934	0.87%
Equipment & Intangible Assets	277,242	483,976	277,242	277,242	761,218	554,484	(206,734)	(27.16%)
Grants	22,355,513	24,629,804	23,048,563	23,050,636	46,985,317	46,099,199	(886,118)	(1.89%)
Benefits & Claims	13,892,311	17,483,979	13,892,311	13,892,311	31,376,290	27,784,622	(3,591,668)	(11.45%)
Debt Service	0	7,350	0	0	7,350	0	(7,350)	(100.00%)
Total Costs	**$60,163,760**	**$67,501,169**	**$62,291,364**	**$62,296,380**	**$127,664,929**	**$124,587,744**	**($3,077,185)**	**(2.41%)**
General Fund	3,396,584	3,492,167	3,365,526	3,363,129	6,888,751	6,728,655	(160,096)	(2.32%)
State Special	18,024,188	18,776,019	18,328,989	18,335,864	36,800,207	36,664,853	(135,354)	(0.37%)
Federal Special	38,742,988	45,232,983	40,596,849	40,597,387	83,975,971	81,194,236	(2,781,735)	(3.31%)
Total Funds	**$60,163,760**	**$67,501,169**	**$62,291,364**	**$62,296,380**	**$127,664,929**	**$124,587,744**	**($3,077,185)**	**(2.41%)**

Program Description

The mission of the Public Health and Safety Division (PHSD) is to improve the health of Montanans to the highest possible level. The division provides a wide range of public health services to individuals and communities that are aimed at prevention of disease and promotion of health. Services are provided through nearly 500 contracts with a broad range of private and public providers, including local and tribal public health departments, clinics, hospitals, and other community-based organizations. Programs administered by the division include, but are not limited to:

- Clinical and environmental laboratory services;
- Chronic and communicable disease prevention and control;
- Maternal and child public health services;
- Public health emergency preparedness;
- Women's, Infants and Children's Special Nutrition Program (WIC);
- Food and Consumer Safety; and
- Emergency Medical Services.

Statutory authority for public health functions is in Title 50, MCA, including local public health activities. Rules concerning public health programs are in Title 37 of the Administrative Rules of Montana. Specific citations include: Title V of the Social Security Act; Family Planning Title X of the federal Public Health Service Act and 42 CFR, Subpart A, Part 59; WIC P. L. 95-627, Child Nutrition Act of 1966, and 7CFR part 246.

Program Highlights

Public Health and Safety Division Major Budget Highlights
♦ The Public Health and Safety Division 2013 biennial budget request is approximately $3.1 million or 2.4% less when compared to the 2011 biennium. • The decrease in benefits is primarily due to a higher appropriation in FY 2011 for WIC grants and benefits than expended in FY 2010 or anticipated in the 2013 biennium • The decrease in general fund is due to elimination of 1.0 FTE, reductions for operational efficiencies, and shifting costs to federal grants ♦ The executive proposes increases for federal grant programs including: • $0.7 million for asthma control • $1.7 million for colorectal cancer screening • $0.14 million for diabetes prevention
Major LFD Issues
♦ The executive proposes to spend more than is available in two accounts: • $4.7 million in the tobacco settlement account for tobacco cessation and prevention • $125,000 for the Vital Statistics Program

Program Narrative

Goals and Objectives

2011 Biennial Goal

The Legislative Finance Committee (LFC) followed one critical goal during the 2011 biennium for PHSD: reduce th burden of chronic disease, injury, and trauma in Montana. The LFC workgroup assigned to the agency selected th following measurements for the goal:

- By June 2011, decrease to 15% from 27% the proportion of students in grades 8,10, and 12 who reporte smoking cigarettes in the past 30 days
- By June 2011, decrease to 8% from 10% the proportion of students in grades 8,10, and 12 who reported usin smokeless tobacco in the past 30 days

Data on the measurements will not be available until the end of the calendar year. During the October 2010 LF workgroup meeting on the performance of PHSD, the members of the workgroup recommended that the Joint Huma Service Appropriations Subcommittee (subcommittee) request that PHSD provide the measurements for the critical go for FY 2010 and consider the information as part the subcommittee's deliberations of the PHSD budget.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. Th following summarizes the plan submitted for this program.

Public Health and Safety Division Total 5% Reduction Plan Identified Included and not included in Executive Budget 2013 Biennium	FTE	General Fund	% Of Division Total	State Special Revenue	% Of Division Total	Federal Special Revenue	% Of Branch Total	Total Funds	% Of Division Total
Included in Executive Budget									
55407 4% Personal Services Reduction	(1.00)	($130,486)	37.53%	0	0.00%	$0	0.00%	($130,486)	37.53%
55141 17-7-140 Reduce support for poison control	0.00	(78,768)	22.65%	0	0.00%	0	0.00%	(78,768)	22.65%
55140 17-7-140 Reduce support for Behavioral Risk Survey System	0.00	(6,424)	1.85%	0	0.00%	0	0.00%	(6,424)	1.85%
55142 17-7-140 Reduce general fund through operation efficiencies	0.00	(9,894)	2.85%	0	0.00%	0	0.00%	(9,894)	2.85%
Subtotal Included in Executive Budget	(1.00)	($225,572)	64.87%	0	100.00%	$0	100.00%	($225,572)	64.87%
Not Included in Executive Budget									
95071 Reduce general fund for data monitoring	0.00	($44,586)	12.82%	0	0.00%	$0	0.00%	($44,586)	12.82%
95072 Reduce support for contraceptives	0.00	(77,570)	22.31%	0	0.00%	0	0.00%	(77,570)	22.31%
Subtotal Not Included in Executive Budget	0.00	(122,156)	35.13%	0	0.00%	0	0.00%	(122,156)	35.13%
Total Public Health and Safety Division	(1.00)	($347,728)	100.00%	0	100.00%	$0	100.00%	($347,728)	100.00%

Approximately 35% of the items in the reduction are not included in the Governor's proposed budget. Both the reduction of $44,600 for data monitoring and the reduction of $77,600 for family planning would occur in the Family and Community Health function.

Data monitoring for public health home visits and the MIAMI program will be reduced. PHSD contracts with 15 providers to provide home visiting services to high-risk pregnant women and infants. The objectives for the program are to:

- Assure mothers and children receive maternal child health services
- Reduce infant mortality and the number of low birth weight babies

Providers submit electronic data summaries to PHSD annually on a set of required data elements. PHSD proposes to reduce support for the data monitoring elements of the program by $22,300 annually. The federal Patient Protection and Affordable Care Act includes a grant program for early childhood visiting utilizing evidenced-based home visiting models with components similar to the public health home visits. $652,000 in funding is estimated to be available in FY 2011 and can be used for 27 months. If successful in the grant application, PHSD may be able to combine the data requirements for the state and federal programs.

PHSD contracts with Title X clinics to offset the increased costs of contraceptives. The funding reduction is 8.6% of the support provided for contraceptive costs. Information on the reductions included in the Governor's budget can be found in the subprograms narratives.

Reorganization

DPHHS reorganized division responsibilities and funding during FY 2010. The Vital Statistics Program was transferred from the Business and Financial Services Division to PHSD, including:

- 12.50 FTE
- $548,104 in personal services
- $247,667 in operating costs
- $7,350 in debt services

All FY 2010 expenditures of the Vital Statistics Program are included in the FY 2010 base budget for PHSD. The Vital Statistics Program is supported by general fund and by state special revenues generated from fees for birth, death, or other certificates. Further information on this funding source is provided in the funding section of this narrative.

Additional Public Health and Safety Division Budget Changes

The Public Health and Safety Division 2013 budget request is approximately $3.1 million less overall when compared to the 2011 biennium. The overall reduction is dominated by a $3.6 million decrease in benefits, due primarily to a higher

appropriation level in FY 2011 than expended in FY 2010 or anticipated in the 2013 biennium for the Women, Infants, and Children Nutrition Program (WIC).

Personal services increase $1.4 million between the two biennia due to a number of changes, including a request for 4.00 new FTE supported by $0.54 million in federal funds, which is almost 40% of the increase. PHSD reclassified, eliminated, or added 23 positions. The figure below shows changes in positions between the budget request for the 2011 biennium and the FY 2013 biennium that were reclassified, including the previous position titles, the current positions titles, and the changes in total position costs between the biennia.

Public Health and Safety Division Changes in FTE Position Descriptions Changes in Biennial Costs for Positions			
Previous Position	Current Position	FTE	Biennial Cost Changes
Business Operations Sup	Administrative Services Mgr	1.00	$3,934
License Permit Technician	Program Specialist	1.00	10,873
Financial Specialist	Epidemiologist	1.00	10,177
Registered Nurse	Health Education Specialist	1.00	(31,022)
License Permit Technician	Administrative Assistant	1.00	11,320
Health Education Specialist	Health Program Representative	1.00	38,100
Epidemiologist	Financial Specialist	1.00	(5,691)
Compliance Specialist	Health Education Specialist	1.00	16,472
Administrative Assistant	Administrative Technician	1.00	12,844
Administrative Assistant	Epidemiologist	1.00	54,676
Administrative Assistant	Health Education Specialist	1.00	48,480
Administrative Assistant	Purchasing Technician	1.00	10,897
Financial Specialist	Health Education Specialist	1.00	(1,806)
Clinical Lab Technologist	Program Manager	1.00	73,664
Data Control Specialist	Operations Research Analyst	1.00	15,406
	Total Changes Between Biennia	15.00	$268,324

As shown, the total costs for the positions that were reclassified increased by $268,324 between the two biennia and account for almost 20% of the increase. The remaining increases are due to increased costs for the positions between the two biennia, primarily increases in benefit costs and health insurance.

PHSD Budget Request by Major Functions

Figure 17 shows the FY 2010 base budget expenditures compared to the 2013 biennium request by function of PHSD.

Figure 17

Public Health and Safety Division
FY 2010 Base Budget Compared to
Executive Request for 2013 Biennium

Major Function Grants and Benefits	FY 2010 General Fund	FY 2010 State Special	FY 2010 Federal Special	FY 2010 Total	FY 2010 % of Total	FY 2012 General Fund	FY 2012 State Special	FY 2012 Federal Special	FY 2012 Total	FY 2012 % of Total	FY 2013 General Fund	FY 2013 State Special	FY 2013 Federal Special	FY 2013 Total	FY 2013 % of Total
Major Function															
Division Administration	$637,204	$874,267	$1,366,167	$2,877,638	4.78%	$615,375	$930,507	$1,417,602	$2,963,484	4.76%	$615,123	$933,075	$1,415,275	$2,963,473	4 76%
Chronic Disease Prevention & Health Promotion	591,741	10,921,866	6,428,433	17,942,040	29.82%	566,891	10,965,952	7,749,777	19,282,620	30.96%	566,331	10,969,102	7,749,877	19,285,310	30.96%
Family and Community Health	816,562	2,138,157	19,881,081	22,835,800	37.96%	821,293	2,141,256	20,284,210	23,246,759	37.32%	821,744	2,142,319	20,284,965	23,249,028	37.32%
Community Disease Control and Prevention	859,066	1,258,768	4,019,367	6,137,201	10.20%	895,604	1,262,117	4,180,528	6,338,249	10.18%	893,748	1,263,400	4,181,129	6,338,277	10.17%
State Laboratories	492,011	2,831,130	846,150	4,169,291	6.93%	466,363	3,029,157	853,659	4,349,179	6.98%	466,183	3,027,968	854,552	4,348,703	6.98%
Emergency Preparedness and Training	0	0	6,201,790	6,201,790	10.31%	0	0	6,111,073	6,111,073	9.81%	0	0	6,111,589	6,111,589	9 81%
Total Division Budget	$3,396,584	$18,024,188	$38,742,988	$60,163,760	100.00%	$3,365,526	$18,328,989	$40,596,849	$62,291,364	100.00%	$3,363,129	$18,335,864	$40,597,387	$62,296,380	100.00%
Percent of Total	5.65%	29.96%	64.40%	100.00%		5.40%	29.42%	65.17%	100.00%		5.40%	29.43%	65.17%	100.00%	
Grants															
Womens, Infants, and Children (WIC)	$0	$0	$3,658,600	$3,658,600	16.37%	$0	$0	$3,952,600	$3,952,600	17.15%	$0	$0	$3,952,600	$3,952,600	17.15%
Emergency Prepardeness	0	0	3,793,531	3,793,531	16.97%	0	0	3,793,531	3,793,531	16.46%	0	0	3,793,531	3,793,531	16.46%
Women and Men's Health (Title X)	0	0	2,359,700	2,359,700	10.56%	0	0	2,350,670	2,350,670	10.20%	0	0	2,349,647	2,349,647	10 19%
Maternal/Child Health Grant	0	0	1,191,282	1,191,282	5.33%	0	0	1,262,735	1,262,735	5.48%	0	0	1,262,735	1,262,735	5.48%
Tobacco Control and Prevention	0	4,967,427	0	4,967,427	22.22%	0	4,967,427	0	4,967,427	21.55%	0	4,967,427	0	4,967,427	21.55%
AIDS Prevention/ Treatment	0	0	1,014,784	1,014,784	4.54%	0	0	1,014,784	1,014,784	4.40%	0	0	1,014,784	1,014,784	4.40%
Chronic Disease Prevention	0	2,211,039	0	2,211,039	9.89%	0	2,244,562	0	2,244,562	9.74%	0	2,246,116	0	2,246,116	9 74%
Cancer Control	0	0	683,292	683,292	3.06%	0	0	1,016,750	1,016,750	4.41%	0	0	1,017,269	1,017,269	4.41%
Subtotal of Grants	$0	$7,178,466	$12,701,189	$19,879,655	88.93%	$0	$7,211,989	$13,391,070	$20,603,059	89.39%	$0	$7,213,543	$13,390,566	$20,604,109	89.39%
Percent of Total Grants	0.00%	32.11%	56.81%	88.93%		0.00%	31.29%	58.10%	89.39%		0.00%	31.29%	58 09%	89.39%	
Percent of Total Division Budget	0.00%	11 93%	21.11%	33.04%		0.00%	11.58%	21.50%	33.08%		0.00%	11.58%	21.49%	33 07%	
Benefits															
Womens, Infants, and Children	$0	$0	$9,357,476	$9,357,476	67.36%	$0	$0	$9,357,476	$9,357,476	67.36%	$0	$0	$9,357,476	$9,357,476	67.36%
Genetics	0	998,731	0	998,731	7.19%	0	998,731	0	998,731	7.19%	0	998,731	0	998,731	7.19%
Tobacco Control and Prevention	0	545,035	0	545,035	3.92%	0	545,035	0	545,035	3.92%	0	545,035	0	545,035	3.92%
Cancer Control	0	0	798,023	798,023	5.74%	0	0	798,023	798,023	5.74%	0	0	798,023	798,023	5.74%
Subtotal of Benefits	$0	$1,543,766	$10,155,499	$11,699,265	84.21%	$0	$1,543,766	$10,155,499	$11,699,265	84.21%	$0	$1,543,766	$10,155,499	$11,699,265	84.21%
Percent of Total Benefits	0.00%	11.11%	73.10%	84.21%		0.00%	11.11%	73 10%	84.21%		0 00%	11 11%	73.10%	84.21%	
Percent of Total Division Budget	0.00%	2.57%	16.88%	19.45%		0.00%	2.48%	16.30%	18.78%		0.00%	2.48%	16.30%	18 78%	

Division administration is responsible for the overall management of PHSD. Its budget accounts for almost 5% of the total FY 2013 biennial budget request. Included in division administration are:

- Behavioral risk factor surveillance
- PHSD cost allocation
- Public Health and Safety Division administration
- Vital statistics

The division administration budget increases about $0.2 million in the 2013 biennium. All of the increase is due to changes included in the statewide present law adjustments, partially offset by a reduction in personal services for a proposed elimination of one position.

The Chronic Disease Prevention and Health Promotion Bureau budget is about 31% of the proposed budget in the 2013 biennium, increasing about $1.3 million each year. The bureau administers tobacco prevention and control, cancer control, diabetes, cardiovascular health, asthma, nutrition and physical activity, and the emergency medical services and trauma sections. The majority of the increases in the 2013 biennium are comprised of new proposals for federal grant programs including:

- $0.7 million for asthma control
- $1.7 million for colorectal cancer screening
- $0.1 million for diabetes prevention

The Family and Community Health Bureau accounts for almost 38% of the division budget request. The major program in this bureau include:

- Women, infants, and children nutrition (WIC)
- Women and men's health
- Child and maternal health including the MIAMI program
- Maternal and child health data monitoring
- Children's special health section encompassing newborn screening and genetics

The bureau also administers contracts with local governments and contracts that provide maternal and child health services funded by the maternal and child health block grant. The majority of the increases in this bureau are for request for $0.6 million in additional federal special revenues to support infrastructure needs in the WIC program.

The Communicable Disease Control and Prevention Bureau comprises about 10% of the PHSD proposed biennial budget. Major responsibilities include food and consumer safety, communicable diseases and epidemiology/tuberculosis control, immunization, and sexually transmitted disease (STD) and AIDS prevention and monitoring. The majority of the biennial changes to the budget are due to statewide present law adjustments.

Laboratory Services Bureau functions are almost 7% of the proposed budget in the 2013 biennium. The laboratory includes both the environmental and public health laboratories and the biomonitoring function. Included in the federal stimulus package was $2.0 million to support grants to county health boards in counties with a proliferation of tremolite asbestos-related diseases. PSHD granted $1.0 million of the funds in FY 2010 to the Lincoln County Health Department and anticipates the same distribution in FY 2011. This funding is not included in the executive's proposed 2013 biennium budget. The executive requests an additional $250,000 in state special revenues to support inflationary increases in laboratory supplies and equipment for this bureau.

The Office of Emergency Preparedness and Training is about 10% of the overall division budget in the 2013 biennium and provides about 16.5% of the support for grants included in the proposed budget. Funding for the office is provided entirely by the Centers for Disease Control and Prevention (CDC) federal bioterrorism and bioterrorism hospital preparedness grants. The budget for the office drops slightly due to an anticipated reduction in federal grants for this purpose over the biennium.

Over 59% ($74 million) of the 2013 biennial budget supports grants and services (benefits) to individuals. This is a reduction in the percentage of about 3% when compared to the 2011 biennium. The largest component is for the WIC program, with a combined total of $26.6 million in grants and benefits in the 2013 biennium. The WIC program provides vouchers for food for low-income children under age 5 and for nursing mothers. Tobacco control and prevention are the second highest grant expenditures with $9.9 million proposed in the budget. The program grants funds to county, tribal, and urban Indian community-based programs; the Addictive and Mental Disorders Division; the Office of Public Instruction; and the Montana University System to address issues associated with tobacco use prevention and cessation. 2013 biennium grants for emergency preparedness to local governments and hospitals are the third largest grant source with $7.6 million proposed.

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table
Public Health & Safety Div.

Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	$ 3,396,584	5.6%	$ 3,365,526	5.4%	$ 3,363,129	5.4%
01100 General Fund	3,396,584	5.6%	3,365,526	5.4%	3,363,129	5.4%
02000 Total State Special Funds	18,024,188	30.0%	18,328,989	29.4%	18,335,864	29 4%
02199 Dbes Food & Consumer	810	0.0%	808	0.0%	810	0.0%
02366 Public Health Laboratory	2,831,130	4.7%	3,029,157	4.9%	3,027,968	4.9%
02379 02 Indirect Activity Prog 07	341,053	0.6%	377,432	0.6%	377,207	0.6%
02419 Vital Statistics	326,577	0.5%	343,383	0.6%	343,312	0.6%
02462 Food/Lodging License	773,958	1.3%	777,309	1.2%	778,590	1.2%
02512 Brfs Survey Fees	74,280	0.1%	77,686	0.1%	80,199	0.1%
02765 Fees On Insurance Policies - Sb 275	1,084,846	1.8%	1,084,710	1.7%	1,085,252	1.7%
02772 Tobacco Hlth & Medicd Initiative	25,684	0.0%	25,657	0.0%	25,684	0.0%
02773 Childrens Special Health Services	257,277	0.4%	257,003	0.4%	257,277	0.4%
02790 6901-Statewide Tobacco Sttlmnt	11,328,314	18.8%	11,380,552	18.3%	11,383,837	18.3%
02987 Tobacco Interest	980,259	1.6%	975,292	1.6%	975,728	1.6%
03000 Total Federal Special Funds	38,742,988	64.4%	40,596,849	65.2%	40,597,387	65.2%
03004 Ems Data Injury	104,284	0.2%	103,997	0.2%	104,284	0.2%
03020 Ph Workforce Development	18,668	0.0%	10,426	0.0%	10,426	0.0%
03026 Family Planning Title X	2,359,700	3.9%	2,350,670	3.8%	2,349,647	3.8%
03027 Wic (Women,Infants & Children)	9,547,574	15.9%	9,544,921	15.3%	9,547,574	15.3%
03030 Health Prevention & Services	659,466	1.1%	615,508	1.0%	616,233	1.0%
03031 Maternal & Child Health	2,464,762	4.1%	2,487,765	4 0%	2,486,169	4.0%
03057 Newborn Hearing Screening	155,228	0.3%	155,112	0.2%	155,228	0.2%
03105 Mt Diabetes	518,633	0.9%	525,344	0.8%	525,389	0.8%
03146 10.577 Wic Bf Peer Counseling	84,213	0.1%	84,190	0.1%	84,213	0.1%
03150 Wic Cdc Surveillance	199,879	0.3%	199,823	0.3%	199,879	0.3%
03159 Tuberculosis Grant	167,641	0.3%	170,855	0.3%	170,826	0.3%
03162 Wic Infra Rebranding	-	-	300,000	0.5%	300,000	0.5%
03246 Wic Admin	4,587,008	7.6%	4,607,312	7.4%	4,607,191	7.4%
03273 Primary Care Services	106,232	0.2%	106,580	0 2%	107,126	0.2%
03274 Ryan White Act, Title Ii	795,911	1.3%	795,911	1.3%	795,911	1.3%
03275 Adult Viral Hepatitus Prevent	28,533	0.0%	28,533	0.0%	28,533	0.0%
03298 Stroke Network	4,743	0.0%	4,740	0.0%	4,745	0.0%
03336 Food Inspection Program	61,842	0.1%	61,711	0.1%	61,842	0.1%
03362 Data Integration	82,192	0.1%	82,192	0.1%	82,192	0.1%
03370 Epi & Lab Surveillance E Coli	634,449	1.1%	641,958	1.0%	642,851	1.0%
03392 Colorectal Cancer Screening	-	-	846,199	1.4%	846,551	1.4%
03396 Ryan White Hiv Treatment	5,871	0.0%	5,871	0.0%	5,871	0.0%
03399 Healthy Communities	7,838	0.0%	47,833	0.1%	47,842	0.1%
03402 Addressing Asthma	-	-	348,942	0.6%	350,000	0.6%
03420 Early Hearing Deficit Intrv	127,413	0.2%	127,413	0.2%	127,413	0.2%
03421 Obesity Prevention	829,537	1.4%	829,005	1.3%	829,954	1.3%
03451 69010-Cdp For Brfs	318,843	0.5%	328,907	0.5%	327,058	0.5%
03477 Clinical Lab - Public Health Testin	29,692	0.0%	29,692	0.0%	29,692	0.0%
03510 Heart Disease & Stroke Program	985,240	1.6%	1,005,740	1.6%	1,005,218	1.6%
03541 State Loan Repayment Program	-	-	71,453	0.1%	71,453	0.1%
03681 6901-Mt Fd Safe Adv Cncl93.103	160,619	0.3%	160,619	0.3%	160,619	0.3%
03686 6901-Adult Lead	6,423	0.0%	6,410	0.0%	6,423	0.0%
03689 6901-Bioter Hosp Preparedness	1,656,033	2.8%	1,654,170	2.7%	1,656,033	2.7%
03690 6901-Rape Prev & Educ 93.126	158,369	0.3%	158,078	0.3%	158,369	0.3%
03709 6901-Rural Access Emerg Device	85,083	0.1%	84,848	0.1%	85,083	0.1%
03711 6901-Breast & Cervical Cancer	2,106,303	3.5%	2,158,876	3.5%	2,159,024	3.5%
03712 6901-Cancer Registries 93.283	194,842	0.3%	194,624	0.3%	194,882	0.3%
03713 6901-Wic Farmer Market 10.572	40,932	0.1%	40,921	0.1%	40,932	0.1%
03788 Montana Disability And Health Prog	395,274	0.7%	395,021	0.6%	395,473	0.6%
03822 Tobacco Control	801,207	1.3%	812,192	1.3%	808,755	1.3%
03929 Seroprevalence/Surveillance	40,609	0.07%	40,609	0.07%	40,609	0.07%
03931 Iz Registry Arra	-	0.00%	-	0.00%	-	0.00%
03936 Vaccination Program	1,109,489	1.84%	1,098,255	1.76%	1,098,826	1.76%
03937 Std Program	239,344	0.40%	256,671	0.41%	256,811	0.41%
03938 Aids Fed. Cat. #13.118	1,275,309	2.12%	1,427,668	2.29%	1,427,082	2.29%
03946 Wic Ra Mis Sam Arra	-	0.00%	-	0.00%	-	0.00%
03959 Bioterrorism	4,535,466	7.54%	4,446,612	7.14%	4,445,265	7.14%
03979 Comprehensive Cancer Control	217,360	0.36%	214,818	0.34%	214,588	0.34%
Grand Total	$ 60,163,760	100.00%	$ 62,291,364	100.00%	$ 62,296,380	100.00%

PHSD is funded by a combination of general fund, state special revenue, and federal funds. General fund supports about 5% of the executive's proposed budget. State special revenues supports about 29% of the budget request and federal special revenues make up 65%.

General fund supports division administration, vital statistics, public health planning, cancer control, emergency medical services, MIAMI program, women and men's health, food and consumer safety, public health laboratory, AIDS prevention, state laboratories, and communicable disease control.

Sources of state special revenue funding include tobacco settlement funds for tobacco use prevention and cessation including public home health visiting and chronic disease programs, and tobacco settlement trust interest supporting adolescent vaccinations, children's special health services, health professional recruitment, nutritional services, emergency medical services, and HIV treatment.

LFD ISSUE

Tobacco Settlement Funds are Over Budgeted

In the 2013 biennium, the fund balance in the tobacco settlement funds is estimated to be over budgeted in the executive budget by a total of $9.3 million by the end of FY 2013. These funds are expended for a variety of purposes in both this division and in the Health Resources Division. See the agency summary for an expanded discussion on this issue.

Additional sources of state special revenues include public health laboratory fees; food and lodging licenses; insurance policy fees supporting the genetics program and reimbursements for children's special health services; and fees for birth, death, or other certificates handled through vital statistics.

LFD ISSUE

Vital Statistics Fund Over Budgeted

Statute requires that PHSD set fees for vital statistics records in rule. PHSD fees for a certified copy for the birth, death, and other certificates handled through vital records are as follows:

- Certified copies of birth or death certificates - $12 for first copy, $5 for each additional copy of same record
- Informational copies of birth certificate - $10 if birth occurred 30 years prior to date of application
- Certified copies of documents on file with state - $12
- Searches -$10 for first 5 years search, $1 per year over 5 years per name requested

The figure shows the actual revenues, expenditures, and fund balance for FY 2006 through FY 2010 and the projections for FY 2011 through FY 2013. The fund balance for the state special revenue account has been negative or overspent since FY 2008.

Public Health and Safety
Vital Statistics Fees Fund Balance

Fund Balance Revenues/Expenditures	Acutal FY 2006	Acutal FY 2007	Acutal FY 2008	Acutal FY 2009	Acutal FY 2010	Projected FY 2011	Projected FY 2012	Projected FY 2013
Beginning Fund Balance	$89,835	$107,642	$28,426	($26,213)	($27,977)	($2,108)	($88,651)	($99,424)
Revenues								
Charges for Services*	$497,608	$475,840	$463,426	$451,193	$443,775	$431,261	$419,099	$407,280
Grants/Transfers/Misc	0	0	2,603	0	0	0	0	
Subtotal Revenues	$497,608	$475,840	$466,029	$451,193	$443,775	$431,261	$419,099	$407,280
Annual % Decline		-4.37%	-2.61%	-2.64%	-1.64%			
Rate of Decline, 4 years	-2.82%							
Expenditures								
Personal Services	$307,752	$323,225	$315,925	$255,480	$245,825	$291,658	$259,941	$259,869
Operating Costs	98,367	107,663	86,997	118,239	90,557	142,176	83,442	83,443
Equipment & Intangible Assets	0	0	2,603	0	0	0	0	0
Debt Service	4,470	1,617	4,411	0	0	0	0	0
Indirect Cost Allocation**	69,212	89,331	110,732	79,239	81,524	83,970	86,489	89,083
Subtotal Expenditures	$479,801	$521,836	$520,668	$452,958	$417,906	$517,804	$429,872	$432,395
Adjustment	0	(33,220)	0	0	0	0	0	0
Ending Fund Balance	$107,642	$28,426	($26,213)	($27,978)	($2,108)	($88,651)	($99,424)	($124,539)
Appropriated General Fund	$212,366	$212,503	$274,922	$276,036	$387,012	$388,448	$419,691	$419,603
Expended General Fund	273,680	223,514	372,126	393,027	391,373			
Increased Support	$61,314	$11,011	$97,204	$116,991	$4,361			

* Forecasted revenues assumes average decline over last 4 years continues in next 3 years
** Unbudgeted costs, projected costs based on the increase in indirects between FY 2009 and FY 2010

As shown in the figure, in FY 2011 the appropriated costs for the program combined with unbudgeted costs to support indirect costs exceed the projected revenues by $88,651. By the end of FY 2013, LFD projects that the fund balance will be over expended by almost $125,000.

As shown in Figure 3, revenues generated through the fees have been declining since FY 2006, while general fund support for the program has increased above the level of support budgeted by the legislature during the same period.

LFD ISSUE CONT.

Fees for vital statistic requests have remained unchanged for the last several years. Therefore, the department could consider increasing the fees above the current level. However, the decline in revenues shows a deeper issue – reduced requests for official records from the bureau. According to staff in the vital records program, after the terrorist act on 9/11 increases for certified records of birth went up dramatically due to a perceived need to prove citizenship. Since that time requests have continued to drop off. Staff has also noticed a reduction in requests since the recession and believe this is due to fewer children participating in sporting events that require a birth certificate to enter as a contestant.

The state's public purpose for this program is to maintain the official records of birth and death for Montana citizens. The legislature might consider the public policy in maintaining an official repository of these records and determine the support needed to provide for the ongoing costs of the program.

Option: The Human Services Joint Appropriation Subcommittee can consider the public policy in maintaining official birth and death certificates and develop a funding strategy to support the ongoing costs of the public program, including the percentage of general fund and state special revenues.

There are almost 50 federal funding sources listed in the division funding table, including 2 federal block grants and more than 40 categorical grants that each have explicit programmatic and expenditure requirements. In most cases the purpose of the grant can be determined from its name. The vast majority of the federal grants require the division to report on performance measurements as part of the grant requirements.

The largest federal grant funds the WIC program, which accounts for $28.9 million of the 2013 biennial budget request. Federal funds supporting the emergency preparedness activities are the next significant federal funds source, accounting for $12.2 million or 15% of the 2013 biennium federal special revenue request.

LFD COMMENT

One of the budgetary risks for this funding source is that a change in the federal funding allocations to states could occur at the federal level. On June 8, 2010 the federal Office of Management and Budget (OMB) directed federal agencies to develop FY 2012 budget plans that would cut at least 5% from FY 2011 discretionary spending request levels. The specific proposals for reductions are to be included in the president's FY 2012 budget, released in February 2011. As a result of the policy, as well as national concern with the federal budget deficit, federal funding for some state programs could be reduced or eliminated.

One factor that could be used in determining federal agency budget reductions is the OMB program assessment ratings (PART). PART is a tool used to judge the effectiveness of programs. Included in a listing of major federal programs judged to be ineffective or with results not demonstrated are hospital preparedness grants and CDC state & local capacity (bioterrorism) grants. In Montana, the funding supports grants to local health departments in counties around the state and provides funding to hospitals for surge capacity development, pharmaceutical availability, education, health care credentialing, and protective equipment. In addition, at the state level the funding helps in providing state laboratory capacity, the health alert network, and the Montana Public Health Training and Communication Center. The Public Health System and Preparedness Bureau is wholly supported by these funds.

The legislature may wish to receive an update on federal funding from the department during budget deliberations and discuss with them potential ramifications.

Two federal block grants account for 7.6% of the PHSD 2013 biennium budget request for federal appropriation authority. They are the Maternal Child Health (MCH) block grant ($2.5 million annually) and the Preventative Health block grant ($0.6 million annually). These block grants support a variety of PHSD functions and are both allocated in consultation with division advisory councils. As a result, the allocation is usually somewhat different than anticipated in the budget request and by the legislature.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	3,396,584	3,396,584	6,793,168	100.96%	60,163,760	60,163,760	120,327,520	96.58%
Statewide PL Adjustments	81,730	79,333	161,063	2.39%	508,798	512,404	1,021,202	0.82%
Other PL Adjustments	(47,543)	(47,543)	(95,086)	(1.41%)	77,457	77,457	154,914	0.12%
New Proposals	(65,245)	(65,245)	(130,490)	(1.94%)	1,541,349	1,542,759	3,084,108	2.48%
Total Budget	**$3,365,526**	**$3,363,129**	**$6,728,655**		**$62,291,364**	**$62,296,380**	**$124,587,744**	

Due to reductions to the general fund included in the executive's proposed budget, the general fund is lower in the 2013 biennial budget than the FY 2010 base expenditures. Almost 60% of the statewide present law adjustments are funded with federal special revenues as are all of the new proposals. State special revenues support the remaining portions of the increases.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,023,942					1,022,55
Vacancy Savings					(476,834)					(476,774
Inflation/Deflation					(7,623)					(6,021
Fixed Costs					(30,687)					(27,356
Total Statewide Present Law Adjustments		**$81,730**	**$179,801**	**$247,267**	**$508,798**		**$79,333**	**$186,676**	**$246,395**	**$512,40**
DP 55140 - 17-7-140 Reductions - Optimizing Fed Funding BRFSS	0.00	(3,212)	0	0	(3,212)	0.00	(3,212)	0	0	(3,212
DP 55141 - 17-7-140 Reduction - Optimizing Fed Poison Cont	0.00	(39,384)	0	0	(39,384)	0.00	(39,384)	0	0	(39,384
DP 55142 - 17-7-140 Reductions Operations Efficiencies	0.00	(4,947)	0	0	(4,947)	0.00	(4,947)	0	0	(4,947
DP 70004 - Increased authority for State Laboratory	0.00	0	125,000	0	125,000	0.00	0	125,000	0	125,00
Total Other Present Law Adjustments	**0.00**	**($47,543)**	**$125,000**	**$0**	**$77,457**	**0.00**	**($47,543)**	**$125,000**	**$0**	**$77,45**
Grand Total All Present Law Adjustments	**0.00**	**$34,187**	**$304,801**	**$247,267**	**$586,255**	**0.00**	**$31,790**	**$311,676**	**$246,395**	**$589,86**

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- **Pay Plan Exceptions** - None
- **Program Specific Obstacles** - For all agency programs, decreased numbers of staff and increased stress and burnout for employees has resulted in fewer internal referrals, decreased satisfaction with work/life balance, lack of available time and resources to train and develop current staff and new recruits, and fear and uncertainty with government job stability. In combination, these factors have led to a shortage of high-level skilled workers

seeking public service work with this agency. PHSD continues to have difficulty filling technical laboratory positions such as clinical laboratory specialists and chemists as well as specialized positions such as epidemiologists. The division competes with private and state hospitals and private laboratories for qualified applicants.

- o **Vacancy** - Occupations with historically high turnover rates in PHSD include health education specialists, clinical lab specialists, and information systems technicians. Ongoing vacancies have increased overtime, contributed to delays in client application processing and subsequent delays in delivery of client benefits, and increased employee workload and stress. Supervisors are carrying increasingly heavy workloads across all agency programs to cope with staff vacancies and as new employees are trained to be fully productive in their positions.
- o **Legislatively Applied Vacancy Savings** - Each agency division was given a target for personal services budget reductions. In general, vacancies were held open until the 7% savings was accomplished. However, the agency managed the vacancy savings based on ongoing assessment of what positions constituted the most critical need and allocating resources using an agency-wide strategy. Some critical positions were filled quickly while others were held open longer. Each request to fill was reviewed, evaluated, and either held open or approved to be filled by the program administrator. After approval by the administrator, each request to fill was also thoroughly scrutinized and considered for final approval by the agency director.
- o **Pay/Position Changes** – PHSD upgraded 6 positions and changed the pay for 4 positions including an operational research analyst, a financial specialist, a health education specialist, and an accounting technician. The pay increases were funded by vacancy or other budgetary savings. This issue is discussed in more detail in the program narrative.
- o **Retirements** - Out of 183 total employees in PHSD, 101 or 55.2% are eligible for retirement. The division estimates 22 employees will retire in the 2011 and 2013 biennia (including actual retirements in FY 2010) at a total cost of $106,260. Planning for these vacancies is ongoing but doesn't contemplate double filling positions at this time due to budget restrictions.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals											
	Fiscal 2012					Fiscal 2013					
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55407 - 4% Personal Svs GF Bud Reduction										
07	(1.00)	(65,245)	0	0	(65,245)	(1.00)	(65,245)	0	0	(65,245)
DP 70105 - Health Professions Loan Repayment Program										
07	0.00	0	0	71,453	71,453	0.00	0	0	71,453	71,453
DP 70106 - Asthma Control Program										
07	2.50	0	0	348,942	348,942	2.50	0	0	350,000	350,000
DP 70107 - Colorectal Cancer Screening										
07	1.00	0	0	846,199	846,199	1.00	0	0	846,551	846,551
DP 70108 - WIC Infrastructure Funding										
07	0.00	0	0	300,000	300,000	0.00	0	0	300,000	300,000
DP 70109 - Diabetes Prevention										
07	0.00	0	0	40,000	40,000	0.00	0	0	40,000	40,000
Total	**2.50**	**($65,245)**	**$0**	**$1,606,594**	**$1,541,349**	**2.50**	**($65,245)**	**$0**	**$1,608,004**	**$1,542,759**

Sub-Program Details
PUBLIC HEALTH & SAFETY DIVISION 01

Sub-Program Proposed Budget

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	34.00	0.00	(1.00)	33.00	0.00	(1.00)	33.00	33.00
Personal Services	2,059,318	154,256	(65,245)	2,148,329	154,242	(65,245)	2,148,315	4,296,644
Operating Expenses	738,345	(3,165)	0	735,180	(3,162)	0	735,183	1,470,363
Grants	79,975	0	0	79,975	0	0	79,975	159,950
Total Costs	**$2,877,638**	**$151,091**	**($65,245)**	**$2,963,484**	**$151,080**	**($65,245)**	**$2,963,473**	**$5,926,957**
General Fund	637,204	43,416	(65,245)	615,375	43,164	(65,245)	615,123	1,230,498
State/Other Special	874,267	56,240	0	930,507	58,808	0	933,075	1,863,582
Federal Special	1,366,167	51,435	0	1,417,602	49,108	0	1,415,275	2,832,877
Total Funds	**$2,877,638**	**$151,091**	**($65,245)**	**$2,963,484**	**$151,080**	**($65,245)**	**$2,963,473**	**$5,926,957**

Sub-Program Description

The Public Health and Safety Division Administration function provides oversight and administrative support for the division's other four bureaus and the Office of Epidemiology and Scientific Support. About 51% of the administrative functions are supported through indirect cost recovery allocations applied to the expenses of the division bureaus and offices through cost allocation. The Office of Vital Statistics is about 26% of the total proposed budget allocation in the 2013 biennium.

General fund supports 20.8% of proposed expenditures, state special revenues support 31.4%, and federal funds support 47.8%.

LFD ISSUE

Reductions to the General Fund Exceed Base Funding Level

The Behavioral Risk Factor Surveillance is a function of the division and included in the total budget. This function has been reduced in the executive budget, and a further reduction is part of the agency's plan to reduce base expenditures by 5%. However, both of the proposed reductions exceed the $2,765 of general fund allocated to this function in the executive budget by a total of about $6,420 each year of the biennium. Other uses of general fund included in the division administration budget include Vital Statistics and indirect costs that support other functions of the department.

Option: Allocate $6,420 in reductions to the behavioral risk factor survey costs to federal and state special revenues to appropriately match revenues and expenditures and reduce general fund support for the division administration base by $3,212 each year of the biennium from either the Vital Statistics Program or the cost allocation program.

Interim Reports to the Legislature

The 2009 Legislature included funding in HB 173 for a pilot program that would provide local public health agencies with funding and technical assistance to assess their readiness for an upcoming national voluntary public health accreditation program. At the national level the program was developed to guide basic public health activities that local public health agencies (county health departments) should carry out regardless of the makeup of their local health systems. In Montana a part of the legislative decision to fund the pilot program was the consideration that local public health agencies vary widely across the state because of variations in local funding resources. Seven local public health agencies serving counties with population sizes from frontier to urban were awarded contracts. The executive does not

nclude a proposal to continue funding for this pilot project to expand the number of counties provided assistance. A report on the FY 2010 program included:

- An assessment that the public health agencies (agencies) fully or partially met approximately 75% of the measures
- A determination of the agencies' areas of strongest and weakest performance
- Identification of challenges, including the necessity of local policymaker and community stakeholder support and the difficulty of estimating the cost of preparing for and maintaining accreditation
- An assessment of the benefits of implementing the proposed standards for strengthening public health agencies and increased public awareness of the programs and services provided to local communities

The report also included a number of recommendations as listed below:

- Encourage every Montana local public health agency to complete an Agency Readiness Review and the pre-requisites to apply for accreditation
- Continue to inform the public health system and the community about the benefits of public health accreditation
- Encourage local public health agencies to work collaboratively and regionally on accreditation activities
- Monitor the work underway by the Public Health Accreditation Board to estimate costs associated with preparing for and maintaining national standards. Continue to work with the Montana Public Health System Improvement Task Force (MPHSITF) to develop a methodology to accomplish this for Montana local public health agencies
- Continue to use the MPHSITF, a state and local partnership, to focus on public health improvement and meeting public health standards

The full report can be found at:
http://leg.mt.gov/content/Committees/Interim/2009_2010/Children_Family/Meeting_Documents/August%202010/hb-173-report.pdf

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	637,204	637,204	1,274,408	103.57%	2,877,638	2,877,638	5,755,276	97.10%
Statewide PL Adjustments	46,628	46,376	93,004	7.56%	154,303	154,292	308,595	5.21%
Other PL Adjustments	(3,212)	(3,212)	(6,424)	(0.52%)	(3,212)	(3,212)	(6,424)	(0.11%)
New Proposals	(65,245)	(65,245)	(130,490)	(10.60%)	(65,245)	(65,245)	(130,490)	(2.20%)
Total Budget	**$615,375**	**$615,123**	**$1,230,498**		**$2,963,484**	**$2,963,473**	**$5,926,957**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					246,489					246,472
Vacancy Savings					(92,233)					(92,230)
Inflation/Deflation					47					50
Total Statewide Present Law Adjustments		**$46,628**	**$56,240**	**$51,435**	**$154,303**		**$46,376**	**$58,808**	**$49,108**	**$154,292**
DP 55140 - 17-7-140 Reductions - Optimizing Fed Funding BRFSS	0.00	(3,212)	0	0	(3,212)	0.00	(3,212)	0	0	(3,212)
Total Other Present Law Adjustments	**0.00**	**($3,212)**	**$0**	**$0**	**($3,212)**	**0.00**	**($3,212)**	**$0**	**$0**	**($3,212)**
Grand Total All Present Law Adjustments	**0.00**	**$43,416**	**$56,240**	**$51,435**	**$151,091**	**0.00**	**$43,164**	**$58,808**	**$49,108**	**$151,080**

<u>DP 55140 - 17-7-140 Reductions - Optimizing Fed Funding BRFSS -</u> The Governor made reductions to agencies' 2011 biennium general fund budgets in accordance with 17-7-140, MCA. A portion of the reductions was effective in FY 2011 and therefore is not reflected in the base. This reduction is to continue the original reduction in the 2013 biennium. The executive proposes to reduce general fund support for the Behavioral Risk Factor Surveillance System (BRFSS) by $3,212 per year of the biennium.

LFD ISSUE

Please refer to the LFD Issue in the subprogram narrative for a discussion of the reduction to the Behavioral Risk Factor Surveillance System included in the package.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor.

New Proposals		-----Fiscal 2012-----					-----Fiscal 2013-----				
	Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55407 - 4% Personal Svs GF Bud Reduction	01	(1.00)	(65,245)	0	0	(65,245)	(1.00)	(65,245)	0	0	(65,245)
Total		**(1.00)**	**($65,245)**	**$0**	**$0**	**($65,245)**	**(1.00)**	**($65,245)**	**$0**	**$0**	**($65,245)**

<u>DP 55407 - 4% Personal Svs GF Bud Reduction -</u> The executive recommends a 4% reduction of personal services funded with general fund. The reduction includes the permanent reduction of FTE associated with positions vacant when budgets were developed. The executive proposes to eliminate 1.00 FTE for a health program representative and reduce general fund by $65,245 each year.

Sub-Program Details
CHRONIC DISEASE PREV & HEALTH PROMOTION 03

Sub-Program Proposed Budget
The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	44.50	0.00	3.50	48.00	0.00	3.50	48.00	48.00
Personal Services	2,403,382	143,709	272,132	2,819,223	144,879	271,469	2,819,730	5,638,953
Operating Expenses	6,185,627	1,114	596,028	6,782,769	1,224	596,028	6,782,879	13,565,648
Grants	8,009,973	(39,384)	366,981	8,337,570	(39,384)	369,054	8,339,643	16,677,213
Benefits & Claims	1,343,058	0	0	1,343,058	0	0	1,343,058	2,686,116
Total Costs	**$17,942,040**	**$105,439**	**$1,235,141**	**$19,282,620**	**$106,719**	**$1,236,551**	**$19,285,310**	**$38,567,930**
General Fund	591,741	(24,850)	0	566,891	(25,410)	0	566,331	1,133,222
State/Other Special	10,921,866	44,086	0	10,965,952	47,236	0	10,969,102	21,935,054
Federal Special	6,428,433	86,203	1,235,141	7,749,777	84,893	1,236,551	7,749,877	15,499,654
Total Funds	**$17,942,040**	**$105,439**	**$1,235,141**	**$19,282,620**	**$106,719**	**$1,236,551**	**$19,285,310**	**$38,567,930**

Sub-Program Description
The Chronic Disease Prevention and Health Promotion Bureau provides for the following functions:
- Cardiovascular health
- Diabetes control and prevention
- Nutrition and physical activity
- Cancer control
- Emergency medical services, trauma systems, and injury prevention
- Asthma control
- Tobacco use prevention and cessation

The various functions use surveillance, health status, and health care service information to monitor health conditions in Montana. The information is used to direct the efforts of the various programs within the bureau.

LFD ISSUE

As discussed in the Agency Overview and the funding narrative for PHSD, the tobacco cessation and prevention account is over appropriated at the end of the 2013 biennium by $4.7 million or approximately 20% of the proposed expenditures supported by this fund. Tobacco use prevention and cessation, chronic disease programs including cardiovascular health, diabetes control and prevention, cancer control, asthma control, and tribal programs included in this function are supported by this funding source. See the Agency Overview for full discussion.

Funding Allocation to the Various Programs within Chronic Disease Prevention and Health Promotion Bureau (bureau)

The figure below shows the various programs included in the bureau, the base budget, each change requested by the executive by fiscal year, and the total amount requested for each program. The figure also shows how much of the tobacco settlement funds are allocated to this function in the executive budget. The percentage of tobacco settlement funds is shown to assist the legislature in assessing the impacts of:

- Any reductions to the programs supported by tobacco cessation and prevention funding to address the over appropriation of funds
- Increases in federal funds for new federal programs or increased federal funds for existing programs

Public Health and Safety Division
2013 Biennium Chronic Disease Prevention and Health Promotion
By Program and Funding

Base Program Funding and Present Law and New Proposals	FY 2012 General Fund	FY 2012 State Special	FY 2012 Federal Special	FY 2012 Total	FY 2012 % of Tobacco Settlement	FY 2013 General Fund	FY 2013 State Special	FY 2013 Federal Special	FY 2013 Total	FY 2013 % of Tobacco Settlement	% of Biennial Total
Emergency Medical Services and Trauma Systems											
FY 2010 Base Funding	$520,986	$122,288	$367,456	$1,010,730	0.00%	$520,986	$122,288	$367,456	$1,010,730	0.00%	5.24%
Statewide Present Law Adjustments	10,845	(337)	(1,013)	9,495	0.00%	10,280	0	0	10,280	0.00%	0.05%
DP 55141 17-7-140 Reduction Optimizing Fed Poison Control	(39,384)	0	0	(39,384)	0.00%	(39,384)	0	0	(39,384)	0.00%	-0.20%
Total Emergency Medical Services and Trauma Systems	$492,447	$121,951	$366,443	$980,841	0.00%	$491,882	$122,288	$367,456	$981,626	0.00%	5.09%
Percent Change Over Base Budget	-5.48%	-0.28%	-0.28%	-2.96%		-5.59%	0.00%	0.00%	-2.88%		
Cancer Control											
FY 2010 Base Funding	$70,755	$1,058,746	$2,518,505	$3,648,006	29.02%	$70,755	$1,058,746	$2,518,505	$3,648,006	29.02%	18.92%
Statewide Present Law Adjustments	3,689	20,692	49,813	74,194	27.89%	3,694	20,765	49,989	74,448	27.89%	0.39%
DP 70107 Colorectal Cancer Screening	0	0	846,199	846,199	0.00%	0	0	846,551	846,551	0.00%	4.39%
Total Cancer Control	$74,444	$1,079,438	$3,414,517	$4,568,399	23.63%	$74,449	$1,079,511	$3,415,045	$4,569,005	23.63%	23.69%
Percent Change Over Base Budget	5.21%	1.95%	35.58%	25.23%		5.22%	1.96%	35.60%	25.25%		
Asthma, Diabetes, Cardiovascular Health											
FY 2010 Base Funding	$0	$1,515,558	$2,741,265	$4,256,823	35.60%	$0	$1,515,558	$2,741,265	$4,256,823	35.60%	22.07%
Statewide Present Law Adjustments	0	26,936	26,418	53,354	50.49%	0	26,471	27,356	53,827	49.18%	0.28%
DP 70106 Asthma Control Program	0	0	348,942	348,942	0.00%	0	0	350,000	350,000	0.00%	1.81%
DP 70109 Diabetes Prevention	0	0	40,000	40,000	0.00%	0	0	40,000	40,000	0.00%	0.21%
Total Asthma, Diabetes, Cardiovascular Health	$0	$1,542,494	$3,156,625	$4,699,119	32.83%	$0	$1,542,029	$3,158,621	$4,700,650	32.80%	24.37%
Percent Changes Over Base Budget	0.00%	1.78%	15.15%	10.39%		0.00%	1.75%	15.22%	10.43%		
Tobacco Control and Prevention											
FY 2010 Base Funding	$0	$8,225,274	$801,207	$9,026,481	91.12%	$0	$8,225,274	$801,207	$9,026,481	91.12%	46.81%
Statewide Present Law Adjustments	0	(3,205)	10,985	7,780	-41.20%	0	0	7,548	7,548	0.00%	0.04%
Total Tobacco Control and Prevention	$0	$8,222,069	$812,192	$9,034,261	91.01%	$0	$8,225,274	$808,755	$9,034,029	91.05%	46.85%
Percent Changes Over Base Budget	0.00%	-0.04%	1.37%	0.09%		0.00%	0.00%	0.94%	0.08%		
Chronic Disease Prevention and Health Promotion Total	$566,891	$10,965,952	$7,749,777	$19,282,620		$566,331	$10,969,102	$7,749,877	$19,285,310		
Percent Change Over Base Budget	-4.20%	0.40%	20.55%	7.47%		-4.29%	0.43%	20.56%	7.49%		

As shown, tobacco settlement funds support:

- 24% of cancer control activities
- 33% of asthma, diabetes, and cardiovascular health programs
- 91% of tobacco control and prevention

The following figure shows the tobacco settlement funds for tobacco cessation and prevention activities.

Figure 18

Public Health and Safety Division
Tobacco Settlement Account - Fund Balance
Master Settlement Agreement Payment Allocations to State Special Revenue Acccounts

Fund Balances, Revenues, Expenditures	FY 2010	FY 2011	FY 2012	FY 2013	% of Biennial Total
32% Allocation to Tobacco Cessation/Prevention					
Beginning Fund Balance	$3,157,838	$1,263,211	($725,853)	($2,636,107)	
Revenues*	10,090,579	10,369,920	10,367,360	10,354,880	
Expenditures					
Department of Revenue	295,135	311,720	307,863	308,603	2.5%
Deparment of Justice	121,793	115,864	125,903	126,058	1.0%
Public Health and Safety Division					
Tobacco Control & Prevention	7,595,274	7,675,649	8,222,069	8,225,274	66.4%
Chronic Disease Programs	2,574,304	2,678,291	2,621,932	2,621,540	21.2%
Home Health Visiting/MIAMI	396,379	366,440	404,545	404,666	3.3%
Tribal Programs	630,000	720,000	0	0	0.0%
Division Administrative Costs	134,388	164,755	132,006	132,357	1.1%
DPHHS Cost Allocated Administration**	229,764	326,265	463,296	657,881	4.5%
Subtotal Expenditures	11,977,037	12,358,984	12,277,614	12,476,379	100.0%
Adjustments	(8,169)	0	0	0	
Percentage of Annual Increase		3.19%	-0.66%	1.62%	
Ending Fund Balance	$1,263,211	($725,853)	($2,636,107)	($4,757,606)	

* Revenue as adopted by the Revenue and Transportation Interim Committee on November 19, 2010
** Nonbudgeted expenditures

As shown in the figure, the executive proposes to expend $4.7 million more for programs in the Chronic Disease Prevention and Health Promotion Bureau than is available in revenues. The subcommittee may wish to discuss with DPHSD the division's recommendations for proposed reductions to the program in light of increasing costs and flat revenues supporting the programs.

LFD COMMENT

Previous legislatures have included restricted funding for tribal programs funded by tobacco settlement funds. The restriction required $90,000 for each of the tribes to be used for tobacco use prevention programs that met the same requirements as other community-based contractors providing tobacco use prevention programs.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	---General Fund---				---Total Funds---			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	591,741	591,741	1,183,482	104.44%	17,942,040	17,942,040	35,884,080	93.04%
Statewide PL Adjustments	14,534	13,974	28,508	2.52%	144,823	146,103	290,926	0.75%
Other PL Adjustments	(39,384)	(39,384)	(78,768)	(6.95%)	(39,384)	(39,384)	(78,768)	(0.20%)
New Proposals	0	0	0	0.00%	1,235,141	1,236,551	2,471,692	6.41%
Total Budget	**$566,891**	**$566,331**	**$1,133,222**		**$19,282,620**	**$19,285,310**	**$38,567,930**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	---Fiscal 2012---					---Fiscal 2013---				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					249,841					251,059
Vacancy Savings					(106,132)					(106,180)
Inflation/Deflation					(3,845)					(3,769)
Fixed Costs					4,959					4,993
Total Statewide Present Law Adjustments		**$14,534**	**$44,086**	**$86,203**	**$144,823**		**$13,974**	**$47,236**	**$84,893**	**$146,103**
DP 55141 - 17-7-140 Reduction - Optimizing Fed Poison Cont	0.00	(39,384)	0	0	(39,384)	0.00	(39,384)	0	0	(39,384)
Total Other Present Law Adjustments	**0.00**	**($39,384)**	**$0**	**$0**	**($39,384)**	**0.00**	**($39,384)**	**$0**	**$0**	**($39,384)**
Grand Total All Present Law Adjustments	**0.00**	**($24,850)**	**$44,086**	**$86,203**	**$105,439**	**0.00**	**($25,410)**	**$47,236**	**$84,893**	**$106,719**

DP 55141 - 17-7-140 Reduction - Optimizing Fed Poison Cont - The Governor made reductions to agencies' 2011 biennium general fund budgets in accordance with 17-7-140, MCA. A portion of the reductions was effective in FY 2011 and therefore is not reflected in the base. This reduction is to continue the original reduction in the 2013 biennium.

LFD COMMENT

The executive is reducing general fund support for poison control. To offset the reduction PHSD would reprioritize spending for the Preventative Health Block grant and provide funding for poison control activities within current federal resources.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor.

New Proposals	Fiscal 2012					Fiscal 2013				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 70106 - Asthma Control Program										
03	2.50	0	0	348,942	348,942	2.50	0	0	350,000	350,000
DP 70107 - Colorectal Cancer Screening										
03	1.00	0	0	846,199	846,199	1.00	0	0	846,551	846,551
DP 70109 - Diabetes Prevention										
03	0.00	0	0	40,000	40,000	0.00	0	0	40,000	40,000
Total	**3.50**	**$0**	**$0**	**$1,235,141**	**$1,235,141**	**3.50**	**$0**	**$0**	**$1,236,551**	**$1,236,551**

DP 70106 - Asthma Control Program - The executive requests funding for 2.50 FTE and approximately $350,000 each year of the biennium in federal funds to address asthma from a public health perspective. DPHHS received a cooperative agreement award from the CDC to support primary care practices to improve the quality of asthma care, to provide public education regarding tobacco use/cessation related to asthma, and for a school grant program.

DP 70107 - Colorectal Cancer Screening - The executive proposes adding 1.00 FTE and $1.7 million of federal funds over the biennium to support a colorectal cancer screening program. DPHHS received a cooperative agreement from the CDC to implement the colorectal cancer screening program for under-insured and uninsured Montanans aged 50 to 64 years. This program is designed to provide public awareness regarding screening and to implement policy and systems approaches to increase screening among the broader Montana population.

DP 70109 - Diabetes Prevention - The executive requests $40,000 each year of the biennium in federal funding to support diabetes prevention. DPHHS received a cooperative agreement from the CDC to support the delivery of the department's cardiovascular disease and diabetes prevention program. This program brings lifestyle intervention to remote rural communities through tele-health videoconferencing. These funds are also being used to support training for health professionals from Tribal Health Departments and Indian Health Service Units regarding implementing the diabetes prevention program lifestyle curriculum.

Sub-Program Details
FAMILY & COMMUNITY HEALTH 04

Sub-Program Proposed Budget
The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	34.25	0.00	0.00	34.25	0.00	0.00	34.25	34.25
Personal Services	2,006,331	44,687	0	2,051,018	44,390	0	2,050,721	4,101,739
Operating Expenses	1,525,596	(5,181)	6,000	1,526,415	(2,615)	6,000	1,528,981	3,055,396
Grants	7,796,597	0	365,453	8,162,050	0	365,453	8,162,050	16,324,100
Benefits & Claims	11,507,276	0	0	11,507,276	0	0	11,507,276	23,014,552
Total Costs	**$22,835,800**	**$39,506**	**$371,453**	**$23,246,759**	**$41,775**	**$371,453**	**$23,249,028**	**$46,495,787**
General Fund	816,562	4,731	0	821,293	5,182	0	821,744	1,643,037
State/Other Special	2,138,157	3,099	0	2,141,256	4,162	0	2,142,319	4,283,575
Federal Special	19,881,081	31,676	371,453	20,284,210	32,431	371,453	20,284,965	40,569,175
Total Funds	**$22,835,800**	**$39,506**	**$371,453**	**$23,246,759**	**$41,775**	**$371,453**	**$23,249,028**	**$46,495,787**

Sub-Program Description
The Family and Community Health Bureau programs and services are designed to improve the health of Montana's women, children, and families. The bureau provides support for the following programs:

- Maternal and child health data monitoring
- Infant, child, and maternal health including public home health visiting and MIAMI programs
- Women, Infants, and Children (WIC) Nutrition program
- Women's and Men's Health including family planning, teen pregnancy prevention, and women's health services
- Children's Special Health Services incorporating specialty clinics, newborn metabolic and hearing screening, and genetics services

The Family and Community Health Bureau proposed budget increases by $825,000 in the FY 2013 biennium when compared to the FY 2010 base. The majority of the increases are for two federal programs:

- Health professional loan repayment program at $0.4 million over the biennium
- WIC infrastructure funding at $0.6 million over the biennium

General fund supports 3.5% of proposed expenditures, state special revenues support 9.2%, and federal funds support 87.3%.

LFD COMMENT

Included in the federal Patient Protection and Affordable Care Act (ACA) is a requirement that states conduct a statewide needs assessment identifying at-risk communities as a condition of the Maternal and Child Health block grant. States were required to submit the information in September 2010. PHSD included the information on at risk communities in Montana in the Montana Needs Assessment. The full report can be found at: Montana Needs Assessment

Several of the programs budgeted in the Family and Community Health bureau serve populations identified in the report. Programs include prevention of low birth weight babies, premature births, and infant mortality; teenage pregnancy prevention, and children screened at birth for hearing loss or certain disorders and conditions that hinder normal development.

LFD COMMENT CONT.

The report identified 27 communities at risk based on a very simple method of establishing risk. Risk was measured by examining a number of statewide measures for each county, and determining the measures for which the county had a higher prevalence than the statewide measurement. While the information is requested at the federal level as part of a request to apply for the receipt of the PPACA Maternal, Infant and Early Childhood Home Visiting Program for Montana, the legislature can also use the information to assess the need for services provided to Montana children and other individuals at risk.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	816,562	816,562	1,633,124	99.40%	22,835,800	22,835,800	45,671,600	98.23%
Statewide PL Adjustments	4,731	5,182	9,913	0.60%	39,506	41,775	81,281	0.17%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	371,453	371,453	742,906	1.60%
Total Budget	**$821,293**	**$821,744**	**$1,643,037**		**$23,246,759**	**$23,249,028**	**$46,495,787**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					130,149					129,836
Vacancy Savings					(85,462)					(85,446)
Inflation/Deflation					(2,029)					(1,999)
Fixed Costs					(3,152)					(616)
Total Statewide Present Law Adjustments		**$4,731**	**$3,099**	**$31,676**	**$39,506**		**$5,182**	**$4,162**	**$32,431**	**$41,775**
Grand Total All Present Law Adjustments	**0.00**	**$4,731**	**$3,099**	**$31,676**	**$39,506**	**0.00**	**$5,182**	**$4,162**	**$32,431**	**$41,775**

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor.

New Proposals Sub Program	Fiscal 2012 FTE	General Fund	State Special	Federal Special	Total Funds	Fiscal 2013 FTE	General Fund	State Special	Federal Special	Total Funds
DP 70105 - Health Professions Loan Repayment Program										
04	0.00	0	0	71,453	71,453	0.00	0	0	71,453	71,453
DP 70108 - WIC Infrastructure Funding										
04	0.00	0	0	300,000	300,000	0.00	0	0	300,000	300,000
Total	**0.00**	**$0**	**$0**	**$371,453**	**$371,453**	**0.00**	**$0**	**$0**	**$371,453**	**$371,453**

DP 70105 - Health Professions Loan Repayment Program - The executive proposes to add $71,453 each year of the biennium in federal funds to support the loan repayment program for health professionals who practice in designated shortage areas, accept Medicaid and Medicare, and offer sliding scale payments. The funds would be used to pay for student loans up to $15,000 per year for two years.

DP 70108 - WIC Infrastructure Funding - The executive requests $300,000 each year of the biennium in federal funding to support Women, Infants, and Children (WIC) infrastructure efforts. These funds will be used for the development and support of projects, including rebranding of WIC educational materials, promotion of locally grown produce, and working with farmers markets.

›ub-Program Details
⊃OMMUNICABLE DISEASE CONTROL & PREV 05

›ub-Program Proposed Budget
[he following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source ›f funding.

›ub-Program Proposed Budget ›udget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec Budget Fiscal 12-13
'TE	28.93	0.00	0.00	28.93	0.00	0.00	28.93	28.93
ersonal Services	1,395,966	209,560	0	1,605,526	209,473	0	1,605,439	3,210,965
›perating Expenses	1,023,821	(8,512)	0	1,015,309	(8,397)	0	1,015,424	2,030,733
'rants	2,675,437	0	0	2,675,437	0	0	2,675,437	5,350,874
enefits & Claims	1,041,977	0	0	1,041,977	0	0	1,041,977	2,083,954
Total Costs	**$6,137,201**	**$201,048**	**$0**	**$6,338,249**	**$201,076**	**$0**	**$6,338,277**	**$12,676,526**
›eneral Fund	859,066	36,538	0	895,604	34,682	0	893,748	1,789,352
tate/Other Special	1,258,768	3,349	0	1,262,117	4,632	0	1,263,400	2,525,517
ederal Special	4,019,367	161,161	0	4,180,528	161,762	0	4,181,129	8,361,657
Total Funds	**$6,137,201**	**$201,048**	**$0**	**$6,338,249**	**$201,076**	**$0**	**$6,338,277**	**$12,676,526**

›ub-Program Description
[he Communicable Disease Control and Prevention Bureau (bureau) provides public health functions including:
- Disease surveillance
- Disease investigation
- Regulatory public health activities
- Coordination of prevention and treatment
- Education
- Training

'he communicable disease and epidemiology/TB section, the food and consumer safety, the HIV/STD prevention ection, and the immunization section are supported through the 2013 biennial budget request.

'he executive proposes general fund support of 14.1% for proposed expenditures, state special revenues support of 9.9%, and federal funds support 66.0%. The majority of the general fund (61%) supports food and consumer safety ctivities, with the remainder almost evenly split between the communicable disease and epidemiology/TB and IIV/STD preventions sections.

egislative Audit Division – Performance Audit
'he Legislative Audit Division (LAD) issued a performance audit report on inspection and enforcement activities for etail food establishments dated November 2010. The report focused on the work of the Food and Consumer Safety ection (section) within the bureau. Audit work indicated that:
- Annual inspections are not always occurring as required by statute
- Program operations could be improved by reviewing and verifying existing management information collected by the section
- Management has improved some of the section's operations, such as prioritizing the collection of annual license fees that were delinquent
- The section had begun establishing a food safety task force or advisory council as outlined in statute

LAD made recommendations to improve program operations including:

- Develop a plan to comply with state law regarding inspections on retail food establishments
- Establish a food safety task force or advisory council
- Review quarterly inspection reports
- Verify inspections are being conducted
- Assure the balance remaining from license fees is being used for program operations
- Verify which counties have elected to participate in the retail food payment schedule

The division concurred with the audit recommendations. The full report can be found at: http://leg.mt.gov/content/Publications/Audit/Report/10P-06.pdf

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	859,066	859,066	1,718,132	96.02%	6,137,201	6,137,201	12,274,402	96.83%
Statewide PL Adjustments	41,485	39,629	81,114	4.53%	205,995	206,023	412,018	3.25%
Other PL Adjustments	(4,947)	(4,947)	(9,894)	(0.55%)	(4,947)	(4,947)	(9,894)	(0.08%)
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	**$895,604**	**$893,748**	**$1,789,352**		**$6,338,249**	**$6,338,277**	**$12,676,526**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					276,457					276,369
Vacancy Savings					(66,897)					(66,896)
Inflation/Deflation					(3,565)					(3,450)
Total Statewide Present Law Adjustments		**$41,485**	**$3,349**	**$161,161**	**$205,995**		**$39,629**	**$4,632**	**$161,762**	**$206,023**
DP 55142 - 17-7-140 Reductions Operations Efficiencies	0.00	(4,947)	0	0	(4,947)	0.00	(4,947)	0	0	(4,947)
Total Other Present Law Adjustments	**0.00**	**($4,947)**	**$0**	**$0**	**($4,947)**	**0.00**	**($4,947)**	**$0**	**$0**	**($4,947)**
Grand Total All Present Law Adjustments	**0.00**	**$36,538**	**$3,349**	**$161,161**	**$201,048**	**0.00**	**$34,682**	**$4,632**	**$161,762**	**$201,076**

DP 55142 - 17-7-140 Reductions Operations Efficiencies - The Governor made reductions to agencies' 2011 biennium general fund budgets in accordance with 17-7-140, MCA. A portion of the reductions was effective in FY 2011 and therefore is not reflected in the base. This reduction is to continue the original reduction in the 2013 biennium. The Public Health and Safety Division will make reductions in expenditures in the areas of travel, conferences, supplies, newspaper ads, cell phone use, postage, and contracting.

Sub-Program Details
STATE LABORATORIES 07

Sub-Program Proposed Budget
The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec Budget Fiscal 2013	Total Exec Budget Fiscal 12-13
FTE	32.32	0.00	0.00	32.32	0.00	0.00	32.32	32.32
Personal Services	1,835,383	79,536	0	1,914,919	78,092	0	1,913,475	3,828,394
Operating Expenses	2,203,515	100,352	0	2,303,867	101,320	0	2,304,835	4,608,702
Equipment & Intangible Assets	130,393	0	0	130,393	0	0	130,393	260,786
Total Costs	**$4,169,291**	**$179,888**	**$0**	**$4,349,179**	**$179,412**	**$0**	**$4,348,703**	**$8,697,882**
General Fund	492,011	(25,648)	0	466,363	(25,828)	0	466,183	932,546
State/Other Special	2,831,130	198,027	0	3,029,157	196,838	0	3,027,968	6,057,125
Federal Special	846,150	7,509	0	853,659	8,402	0	854,552	1,708,211
Total Funds	**$4,169,291**	**$179,888**	**$0**	**$4,349,179**	**$179,412**	**$0**	**$4,348,703**	**$8,697,882**

Sub-Program Description
The Laboratory Services Bureau is comprised of the environment laboratory section, the microbiology/molecular section, and the serology/newborn screening/preparedness section. The bureau focuses on the prevention and control of disease and the improvement of community health by providing testing in support of disease assessment and control.

LFD COMMENT

The 2007 Legislature provided a one-time-only $1.5 million general fund appropriation and the 2009 Legislature provided $2.0 million in federal stimulus funding to support grants to county health boards in counties with a proliferation of tremolite asbestos-related diseases. PHSD granted the funds to the Lincoln County Health Department. The funding was included in the appropriations for the Laboratory Services Bureau. The executive has not included proposals to restore funding for the state grants. Since the legislature appropriated the funding further resolution for the victims of Libby asbestos has occurred including:

- The Patient Protection and Affordable Care Act included a provision that victims of Libby's asbestos are eligible for Medicare, regardless of age. The health care law contains a clause that opens Medicare to anyone diagnosed with an asbestos-related disease who stayed in Lincoln County a total of six months over a 10-year period
- The Environmental Protection Agency declared Libby a "public health emergency"
- The U.S. Department of Health and Human Services provided a $6.0 million grant to provide health services and screenings to qualifying patients with asbestos-related diseases

The executive proposes general fund support of 10.7% for proposed expenditures, state special revenues support of 69.6%, and federal funds support of 19.6%.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	492,011	492,011	984,022	105.52%	4,169,291	4,169,291	8,338,582	95.87%
Statewide PL Adjustments	(25,648)	(25,828)	(51,476)	(5.52%)	54,888	54,412	109,300	1.26%
Other PL Adjustments	0	0	0	0.00%	125,000	125,000	250,000	2.87%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	**$466,363**	**$466,183**	**$932,546**		**$4,349,179**	**$4,348,703**	**$8,697,882**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					159,323					157,81
Vacancy Savings					(79,787)					(79,727
Inflation/Deflation					2,231					3,37
Fixed Costs					(26,879)					(27,059
Total Statewide Present Law Adjustments		**($25,648)**	**$73,027**	**$7,509**	**$54,888**		**($25,828)**	**$71,838**	**$8,402**	**$54,41**
DP 70004 - Increased authority for State Laboratory	0.00	0	125,000	0	125,000	0.00	0	125,000	0	125,00
Total Other Present Law Adjustments	**0.00**	**$0**	**$125,000**	**$0**	**$125,000**	**0.00**	**$0**	**$125,000**	**$0**	**$125,00**
Grand Total All Present Law Adjustments	**0.00**	**($25,648)**	**$198,027**	**$7,509**	**$179,888**	**0.00**	**($25,828)**	**$196,838**	**$8,402**	**$179,41**

DP 70004 - Increased authority for State Laboratory - This request adds $125,000 each year of the biennium in state special revenue to meet projected increases in DPHHS laboratory supplies and other operating expenses. The expenses for laboratory supplies and other operating expenses are expected to increase an estimated 4% or $125,000 each year. This estimate is based on maintaining current level test volumes. Increased expenses would be covered by laboratory fees.

LFD ISSUE

Funding for the Laboratory Services Bureau

The PHSD is required by statute to maintain both a public health and environmental laboratory (labs). The environmental laboratory function provides analyses for the Safe Drinking Water Act, and testing under the Clean Water Act, the National Pollutant Discharge Elimination Systems, the Clean Air Act, and the Dyed Fuel Program for the Montana Department of Transportation. Tests are provided for private well owners under the Safe Drinking Water Act. The public health function provides services to identify and confirm the cause of a wide variety of diseases, and plays a role in statewide surveillance of conditions of public health importance such as tuberculosis outbreaks. The public health lab also conducts tests that are unavailable elsewhere in the state.

LFD ISSUE CONT.

Until FY 2010, the labs have been traditionally funded with fees for the services provided and with federal grants. The funding mix for the labs is a policy decision of the legislature. If the main objective of the labs is to provide timely, official, objective, and accurate test results to hospitals, physicians, outpatient clinics, or private residents interested in their well water safety, then there may not be a direct correlation to general public health and consequently should be supported by those users. However, if the labs provide surveillance for disease outbreaks or contamination of ground water, and monitor and notify the public of associated potential health risks, there would be a public health benefit to the labs and general fund support for the labs a consideration of the legislature.

The executive's proposal uses a funding mix of 10.7% general fund, 69.6% state special revenues, and 19.6% federal special revenues, therefore implicitly stating that there is a public health benefit to having the public health and environmental labs. It also makes the assumption that the PHSD proposal for labs' fees are adequate and that increased fee revenue generated from the fees should be used to offset operating costs or laboratory equipment. The policy issue for the legislature is whether this funding mix is appropriate, or some other assumption should be made.

There are two issues with the level of fees:

1. The fees for the labs are set in rule and at the control of PHSD. PHSD amended the fees for the state laboratories in March 2008 and again in March 2010 generating additional state special revenues. The executive proposes using the additional revenues generated by the March 2010 change for increased operating costs and laboratory equipment
2. Additional changes to the fees are not contemplated in the executive's proposed budget. PHSD has revised fees every two years for the last two biennia and therefore in March 2012 may do so again, generating additional state special revenues for FY 2013 that can be used to support the labs and offset general fund

Options

- Establish a funding mix through appropriations that reflects legislative policy to either
  a. Fund the executive's request
  b. Establish some other mix that reflects policy on how much the labs provide a general public benefit and how much the private entities benefit with having the labs, and considers the potential for additional state special revenues in FY 2013
- Use the additional fee revenue anticipated to offset general fund

Sub-Program Details
PUBLIC HEALTH SYS IMPROV & PREPAREDNESS 08

Sub-Program Proposed Budget

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	19.50	0.00	0.00	19.50	0.00	0.00	19.50	19.50
Personal Services	1,196,428	(84,640)	0	1,111,788	(85,295)	0	1,111,133	2,222,921
Operating Expenses	1,064,982	(6,077)	0	1,058,905	(4,906)	0	1,060,076	2,118,981
Equipment & Intangible Assets	146,849	0	0	146,849	0	0	146,849	293,698
Grants	3,793,531	0	0	3,793,531	0	0	3,793,531	7,587,062
Total Costs	**$6,201,790**	**($90,717)**	**$0**	**$6,111,073**	**($90,201)**	**$0**	**$6,111,589**	**$12,222,662**
Federal Special	6,201,790	(90,717)	0	6,111,073	(90,201)	0	6,111,589	12,222,662
Total Funds	**$6,201,790**	**($90,717)**	**$0**	**$6,111,073**	**($90,201)**	**$0**	**$6,111,589**	**$12,222,662**

Sub-Program Description

The fully federally funded Public Health System and Preparedness Bureau provides leadership in emergency preparedness in working with county and tribal health departments and hospitals around Montana. It is also a part of the state's emergency preparedness system and works with the Department of Military Affairs to implement the requirements of the Public Health Security and Bioterrorism Preparedness and Response Act of 2002 (act). The act establishes opportunities for states and local governments to conduct evaluations of public health emergency preparedness and enhances public health infrastructure and the capacity to prepare for and respond to public health emergencies.

LFD COMMENT

As discussed in the program narrative, one of the budgetary risks for this program is that the federal PART system has identified the programs supported with the funds as ineffective or having results not demonstrated.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	0	0	0	0.00%	6,201,790	6,201,790	12,403,580	101.48%
Statewide PL Adjustments	0	0	0	0.00%	(90,717)	(90,201)	(180,918)	(1.48%)
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	**$0**	**$0**	**$0**		**$6,111,073**	**$6,111,589**	**$12,222,662**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments

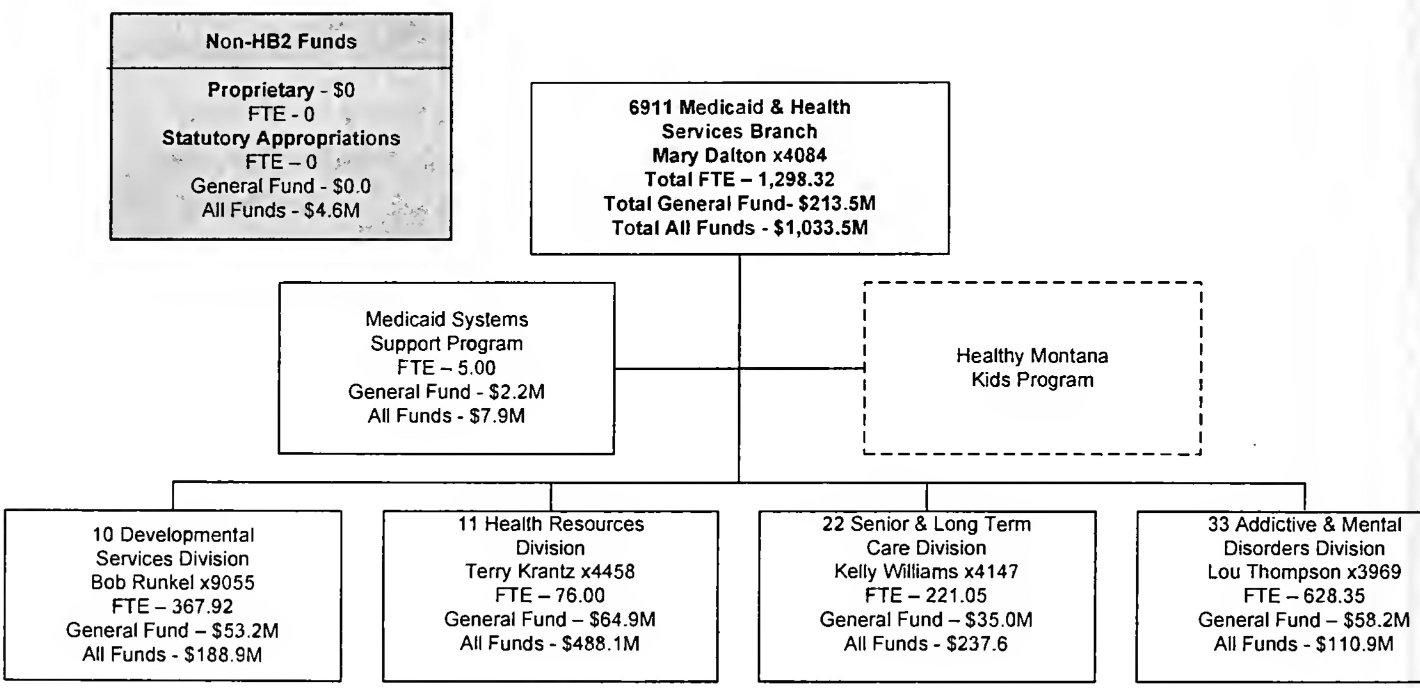
	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(38,317)					(39,000)
Vacancy Savings					(46,323)					(46,295)
Inflation/Deflation					(462)					(232)
Fixed Costs					(5,615)					(4,674)
Total Statewide Present Law Adjustments		**$0**	**$0**	**($90,717)**	**($90,717)**		**$0**	**$0**	**($90,201)**	**($90,201)**
Grand Total All Present Law Adjustments	**0.00**	**$0**	**$0**	**($90,717)**	**($90,717)**	**0.00**	**$0**	**$0**	**($90,201)**	**($90,201)**

Branch Budget Comparison

The following table summarizes the total executive budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	1,298.32	1,298.32	1,300.12	1,295.83	1,298.32	1,295.83	(2.49)	(0.19
Personal Services	67,485,627	74,666,943	71,748,347	71,502,960	142,152,570	143,251,307	1,098,737	0.77
Operating Expenses	42,292,043	45,608,242	45,908,041	46,721,734	87,900,285	92,629,775	4,729,490	5.38
Equipment & Intangible Assets	180,673	345,348	180,673	180,673	526,021	361,346	(164,675)	(31.31
Grants	14,244,574	14,795,377	14,524,770	14,541,281	29,039,951	29,066,051	26,100	0.09
Benefits & Claims	909,270,789	961,086,053	1,111,341,248	1,153,004,706	1,870,356,842	2,264,345,954	393,989,112	21.06
Transfers	0	0	0	0	0	0	0	r
Debt Service	13,104	58,746	13,104	13,104	71,850	26,208	(45,642)	(63.52
Total Costs	**$1,033,486,810**	**$1,096,560,709**	**$1,243,716,183**	**$1,285,964,458**	**$2,130,047,519**	**$2,529,680,641**	**$399,633,122**	**18.76**
General Fund	213,499,708	274,336,885	330,841,349	322,376,619	487,836,593	653,217,968	165,381,375	33.90
State Special	91,819,929	98,288,875	111,976,348	132,000,205	190,108,804	243,976,553	53,867,749	28.34
Federal Special	728,167,173	723,934,949	800,898,486	831,587,634	1,452,102,122	1,632,486,120	180,383,998	12.42
Total Funds	**$1,033,486,810**	**$1,096,560,709**	**$1,243,716,183**	**$1,285,964,458**	**$2,130,047,519**	**$2,529,680,641**	**$399,633,122**	**18.76**

The following is the branch organizational chart, with contact information. The chart has been modified by the LFD to include the FY 2010 base budget FTE, general fund, and total funds for each program. As applicable, total agency proprietary funds and statutory appropriations, along with associated FTE, are also shown.



Branch Description

The Medicaid and Health Services Branch provides direct supervision over the Senior and Long-term Care Division, Disability Services Division, Addictive and Mental Disorders Division, Health Resources Division, and the Medicaid and Health Services Management Program. The branch also provides medical, rehabilitative, and mental health services for Montanans through a variety of programs, including all six state institutions. The branch manager oversees and coordinates programs and activities of the branch and, as the state Medicaid director, establishes policy for the Montana Medicaid program.

Mission – Coordinate Medicaid and Health Services Programs to optimize efficient delivery of services.

MCA 2-4-201
ARM 37.1.101

Branch Highlights

Medicaid and Health Services Branch Major Budget Highlights
♦ The Medicaid and Health Services Branch 2013 biennium request is \$399.6 million higher than the 2011 biennium budget, with 34% of the increase funded from the general fund ♦ The majority of the growth, \$394.0 million is in benefits and claims, for services to individuals who meet specific eligibility criteria: • Medicaid services rise \$262.5 million, including \$17.0 million for the new mental health expansion (HIFA waiver) • Healthy Montana Kids (HMK) grows \$92.3 million ♦ General fund growth between the biennial budgets is \$165.4 million with the majority of the change due to increases in the state Medicaid match rate: • The temporary federal rate increase will expire at the end of FY 2011 • There is an increase in the regular state match rate during the 2013 biennium ♦ Personal services funding grows \$1.1 million despite the Governor's proposed 4% personal services reduction and a net reduction in funding for 2.49 FTE due to: • 15.00 FTE for HMK • 5.00 FTE to implement an expansion of Medicaid family planning services ♦ The executive proposes to reconfigure services at the Montana Developmental Center (MDC) thereby: • Eliminating 8.71 FTE in FY 2012 and 13.00 FTE in FY 2013 • Moving up to 12 individuals out of MDC and increasing community waiver services to serve the individuals in the community

Legislative Action Issues

- Major policy issues include:
  - Potential revisions to the DPHHS budget request that would lower the 2013 biennium budget general fund by $3.1 to $3.5 million
  - LFD estimates of the HMK enrollment and funding increases are projected to exceed available insurance premium tax state special revenue by $11.7 million
  - Portions of the 5% reduction plans that are not part of the Governor's budget include proposals to reduce general fund and federal Medicaid funds for nursing homes, personal care, and long term care waiver services
  - If the legislature accepts recommended reductions to the DPHHS budget, the Legislative Finance Committee recommendations that the effect of the reductions be assessed during the 2013 biennium
- Policy issues are discussed in greater detail in division budget narratives

Branch Discussion

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the legislature may wish to review the following:

- Goals, objectives and year-to-date outcomes from the 2011 biennium.
- Critical agency goals, objectives, and anticipated outcomes and their correlation to the executive's budget request for the 2013 biennium.

2011 Biennium Goals

2011 biennium goals selected for review by the LFC are discussed in the agency summary and the applicable program narratives of the divisions that make up the Medicaid and Health Services Branch.

2013 Biennium Goals

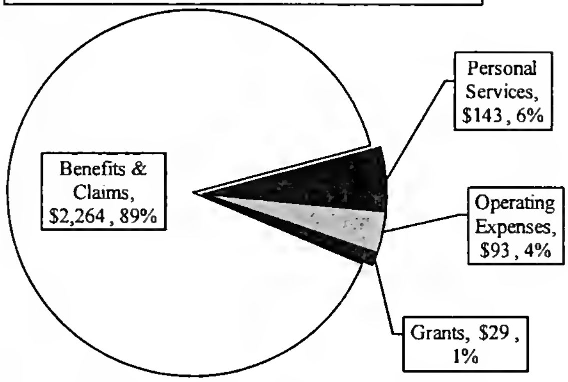
During the interim the LFC met with the agency to select critical goals and performance measurements for the legislature to consider during the appropriation process. The Legislative Finance Committee (LFC) recommends the legislature consider the following critical goal and performance measurement(s) as part of its decisions on the executive's budget requests for this branch:

- Implementation of broad based budget reductions and the effect on DPHHS operations; workgroup members discussed the 4% reduction in FTE and personal service costs in relation to this goal
- Implementation of Healthy Montana Kids
- Monitoring the impacts of the economy and recession on workload and programs
- Implementation of components of federal health insurance reform including:
  - Integrate Medicaid eligibility determination in the health insurance exchange design
  - Evaluate the potential for a single system to determine Medicaid eligibility
  - Outline components and cost of Medicaid eligibility expansion for consideration by the 2013 Legislature

LFD COMMENT	While the LFC identified critical goals, it did not identify the performance measurements the legislature will use to evaluate the department successes and challenges in the 2013 interim. The Health and Human Services Joints Appropriations Subcommittee may wish to discuss the department proposals for measurements of the goals for the 2013 biennium.

Branch Budget Discussion

DPHHS reorganized its structure over the last two years, instituting four branches that generally manage a group of divisions. This is the first time that branch division budgets have been included in the LFD budget analysis and were added at the request of DPHHS.



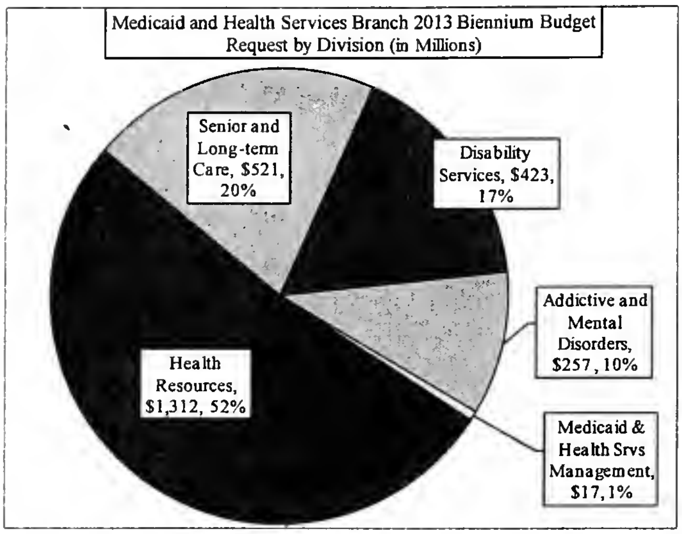
The Medicaid and Health Services Branch 2013 biennium budget request totals $2.5 billion, which is 68% of the agency request. The 2013 biennium request grows $399.6 million over the 2011 biennium budget. The majority of the increase - $394.0 million – is in benefits and claims, which funds services to individuals who meet specific eligibility criteria. This figure shows the 2013 biennium budget request by type of expenditure.

The following figure shows the branch budget by division. Health Resources Division, which administers physical health Medicaid services and the Healthy Montana Kids (HMK) program, is slightly more than half the total branch budget. Senior and Long-term Care, which administers Medicaid and other community services for the aged and disabled, is about one fifth of the budget request. Disability Services Division, which manages developmental disability services and children's mental health services, is about 17% of the total. Addictive and Mental Disorders, which administers chemical dependency and adult mental health services, is 10%.

Medicaid and Health Services Branch 2013 Biennium Budget Request by Major Program/Division

Program/Division	General Fund	State Special Revenue	Federal Funds	Total	% of Ttl
Health Resources	$242,203,018	$145,305,808	$924,433,545	$1,311,942,371	51.9%
Senior and Long-term Care	127,960,003	59,243,412	333,872,502	521,075,917	20.6%
Disability Services Division	150,465,770	11,214,356	260,996,484	422,676,610	16.7%
Addictive and Mental Disorders	127,899,383	28,136,514	101,119,740	257,155,637	10.2%
Medicaid & Health Srvs Management	4,689,794	76,463	12,063,849	16,830,106	0.7%
Total Branch	$653,217,968	$243,976,553	$1,632,486,120	$2,529,680,641	100.0%
Percent of Total	25.8%	9.6%	64.5%	100.0%	

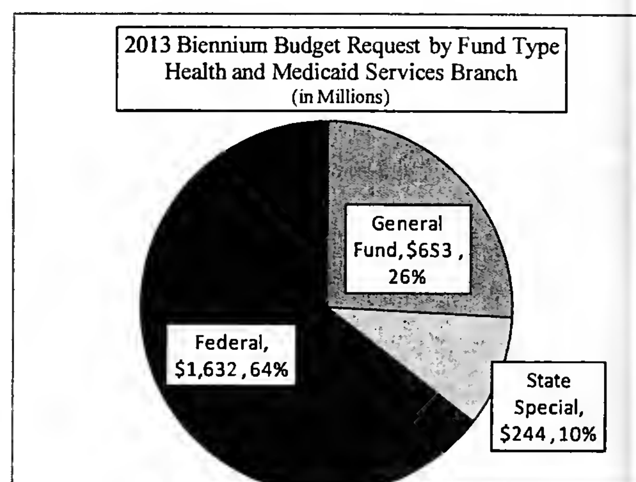
The next figure shows the relative proportion of each division budget as a component of the branch.



Two thirds of the branch budget is supported by federal funds, with Medicaid funds being the most significant source ($1.4 billion over the biennium). General fund is 26% of the request, with the state match requirement for Medicaid services being the primary driver of general fund cost for this branch ($471.9 million to support Medicaid services in the 2013 biennium budget request). The figure below shows the funding for this division.

Medicaid programs are the single most significant cost driver for this branch budget. Medicaid service costs account for $262.5 million of the difference between the 2011 and 2013 biennium budgets. Specific changes to Medicaid services are discussed in each division and the agency narrative includes a discussion of Medicaid eligibility and service utilization changes.

The 2013 biennium branch budget supports 1,295.82 FTE or 44% of the department wide total. Most of the FTE – 793.16 – are employed by the six state institutions. FTE changes in the 2013 biennium are discussed in the division budget narratives.



5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

Medicaid and Health Services Branch
Total 5% Reduction Plan Identified
Included and not Included in the 2013 Beinnium Executive Budget

	FTE	General Fund	% Of Branch Total	State Special Revenue	% Of Branch Total
Included in Executive Budget					
Disability Services Division					
55410 4% GF PS - MDC Reconfiguration*	13.00	$289,126	1.3%	$0	0.0%
55140 17-7-140 Reductions - Operations Efficiency	0.00	197,168	0.9%	0	0.0%
10107 DD Refinancing	0.00	4,034,276	18.0%	0	0.0%
Health Resources Division					
55420 17-7-140 Operations Efficiencies	0.00	99,814	0.4%	0	0.0%
55140 17-7-140 Reduction - Pharmacy Savings w/SMAC	0.00	2,537,920	11.4%	0	0.0%
55411 4% Personal Services Reduction	0.00	49,544	0.2%	0	0.0%
Medicaid and Health Services Management Program	0.00	0	0.0%	0	0.0%
Senior and Long-term Care Division					
55422 4% FTE Reduction	1.00	185,282	0.8%	0	0.0%
55423 Eliminate PACE	0.00	628,918	2.8%	0	0.0%
55140 17-7-140 Operating Efficiencies	0.00	67,964	0.3%	0	0.0%
Addictive and Mental Disorders Division					
55433 4% FTE Reduction	8.49	1,029,536	4.6%	0	0.0%
55140 17-7-140 Reduction - Operations Efficiencies	0.00	114,814	0.5%	0	0.0%
55141 17-7-140 HB 2 Crisis Diversion HB 130	0.00	1,238,936	5.5%	0	0.0%
Reduce Transfer to MHSP for Overage in FY 2010	0.00	1,933,624	8.6%	0	0.0%
Subtotal Included in Executive Budget	22.49	$12,406,922	55.5%	$0	0.0%
Not Included in Executive Budget					
Disability Services Division	0.00	$0	0.0%	$0	0.0%
Health Resources Division					
Eliminate Big Sky Rx	0.00	0	0.0%	8,006,446	97.3%
9% Reduction in Physician and Anesthesia RBRVS Conversion Factors	0.00	3,335,658	14.9%	0	0.0%
Eliminate Hosp Adjustment for Pediatric Mental Health and Newborns	0.00	1,270,000	5.7%	0	0.0%
Dental Reduction - Limit on Crown Services	0.00	636,136	2.8%	0	0.0%
Reduction for Dual Eligible Hospital Crossover Coverage	0.00	407,972	1.8%	0	0.0%
Medicaid and Health Services Management Program					
Eliminate Claim Jumper Publication	0.00	60,000	0.3%	0	0.0%
Senior and Long-term Care Division					
3% Reduction Medicaid Nursing Home Budgets	0.00	2,522,222	11.3%	0	0.0%
2.22% Reduction in Medicaid Home and Community Based Waiver Budgets	0.00	476,104	2.1%	0	0.0%
2.22% Reduction in Medicaid Personal Assistance Budgets	0.00	502,716	2.2%	0	0.0%
Addictive and Mental Disorders Division					
Reduce Targeted Case Management Rates	0.00	737,660	3.3%	0	0.0%
MCDC Reduction in Food Service Costs	0.00	0	0.0%	223,216	2.7%
Subtotal Not Included in Executive Budget	0.00	$9,948,468	44.5%	$8,229,662	100.0%
Total Medicaid and Health Services Branch	22.49	$22,355,390	100.0%	$8,229,662	100.0%

* DSD eliminates 8.71 FTE in FY 2012 and 13.00 FTE in FY 2013.

LFD COMMENT The Governor's budget included $10.5 million of the reductions identified in the 5% reduction plan submitted by DPHHS. The 2013 biennium executive budget did not include the remaining $21.1 million in general fund and state special reductions identified in the reduction plan.

Most of the general fund reductions identified in the 5% plan would also reduce federal funds and in some instances state special revenue. The legislature may wish to request that DPHHS identify the total funds that would be reduced for each of the items in the 5% plan and if the legislature adopts any of the items it could also reduce the federal matching funds or state special revenues. Refer to the discussion included at in the agency summary for further information and options for legislative consideration. Specific risks and impacts to programs related to these reductions are included in the program narratives for this branch.

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Total Branch Funding
2013 Biennium Budget

Agency Program	General Fund	State Spec	Fed Spec	Grand Total	Total %
10 Disability Services Division	$ 150,465,770	$ 11,214,356	$ 260,996,484	$ 422,676,610	16.71%
11 Health Resources Division	242,203,018	145,305,808	924,433,545	1,311,942,371	51.86%
12 Medicaid And Health Services Managemer	4,689,794	76,463	12,063,849	16,830,106	0.67%
22 Senior & Long-Term Care	127,960,003	59,243,412	333,872,502	521,075,917	20.60%
33 Addictive & Mental Disorders	127,899,383	28,136,514	101,119,740	257,155,637	10.17%
Grand Total	$ 653,217,968	$ 243,976,553	$ 1,632,486,120	$ 2,529,680,641	100.00%

The Medicaid and Health Services Branch is funded by general fund, state special revenue, and federal funds. General fund is used for:

- o State mental health and developmental disability institutions
- o State Medicaid match
- o Community aging services grants
- o A portion of the community mental health services for low-income adults with a serious and disabling mental illness
- o Community services for persons with developmental disabilities
- o A portion of administrative costs

Major sources of state special revenue (over $2.0 million annually), the tax or fee funding source, and the programs supported are:

- o Cigarette tax revenue
  - Montana veterans' services – operational costs and long-range building projects for the Montana Veterans' Home in Columbia Falls and Eastern Montana Veterans' Home in Glendive
- o Tobacco tax health and Medicaid initiatives state special revenue
  - Big Sky Rx – premium assistance for low income Medicare beneficiaries to pay Medicare Part D prescription drug coverage
  - State Medicaid match
- o Tobacco settlement funds and tobacco settlement trust fund interest state special revenue
  - State match for the federal Children's Health Insurance Program (CHIP) grant
  - State Medicaid match
- o Hospital utilization fee and nursing home bed fee state special revenue
  - State Medicaid match to raise reimbursement rates for hospital and nursing home services
- o Alcohol tax state special revenue
  - State chemical dependency institution and some program administrative costs

  - Local chemical dependency programs
  - A portion of state Medicaid match for chemical dependency services
- Insurance premium state special revenue
  - State match for Medicaid and CHIP services and administration for the Healthy Montana Kids (HMK) program
- Medicaid reserve account funded from a portion of the enhanced federal Medicaid match in FY 2010
  - One-time offset to general fund Medicaid matching costs in FY 2013

Major sources of federal funds include:
- Medicaid matching funds
- CHIP block grant
- Aging services block grant
- Chemical dependency block grant
- Social services Title XX block grant
- Mental health services block grant

All funding sources are discussed in greater detail in division budget narratives.

Common Purpose Decision Packages

This figure shows the decision packages that are related to changes in the Medicaid match rate, which total $20.8 million general fund. All of the changes except for $8.2 million for the clawback FMAP change are related to the regular annual revisions to the federal Medicaid match rate. The FMAP change for clawback reinstates the general fund necessary to offset the temporary increase in federal match rate (about 10%) in FY 2010.

FMAP Adjustments - Medicaid and Health Services Branch		
DP Number and Summary Description	FY 2012 General Fund	FY2013 General Fund
10001 - FMAP Adj DD & CMH	$688,471	$1,346,538
11005 - FMAP Adj - HRD Medicid	2,569,918	3,879,402
11010 - FMAP Adj - Clawback	4,198,641	4,198,641
22102 - Nursing Home FMAP	1,641,322	2,284,394
22105 - Home Based FMAP Adj	426,988	598,106
22108 - CHCHW FMAP	41,032	57,476
22110 - Waiver FMAP Adj	(203,853)	(62,804)
33007 - FMAP Adj - Mental Health	(526,524)	(383,349)
Total	$8,835,995	$11,918,404

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	213,499,708	213,499,708	426,999,416	65.37%	1,033,486,810	1,033,486,810	2,066,973,620	81.71%
Statewide PL Adjustments	71,036,793	71,063,260	142,100,053	21.75%	598,268	644,594	1,242,862	0.05%
Other PL Adjustments	48,792,515	40,121,143	88,913,658	13.61%	204,642,951	245,831,477	450,474,428	17.81%
New Proposals	(2,487,667)	(2,307,492)	(4,795,159)	(0.73%)	4,988,154	6,001,577	10,989,731	0.43%
Total Budget	**$330,841,349**	**$322,376,619**	**$653,217,968**		**$1,243,716,183**	**$1,285,964,458**	**$2,529,680,641**	

Statewide present law adjustments include a funding switch that increases general fund by $71.0 million and reduces federal funds by a like amount. This change, authorized by HB 645 of 2009 session, reflects the discontinuation of the nearly 10% temporary increase in the federal Medicaid match rate in the federal stimulus legislation, which reduced general fund Medicaid costs in the 2011 biennium. Other present law adjustments and new proposals are discussed in detail in the program narratives that follow.

Program Budget Comparison
The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	367.92	367.92	359.21	354.92	367.92	354.92	(13.00)	(3.53%)
Personal Services	17,811,546	19,391,879	18,862,773	18,606,692	37,203,425	37,469,465	266,040	0.72%
Operating Expenses	6,256,198	6,444,185	6,104,566	6,109,017	12,700,383	12,213,583	(486,800)	(3.83%)
Equipment & Intangible Assets	0	57,356	0	0	57,356	0	(57,356)	(100.00%)
Grants	400,941	645,569	400,941	400,941	1,046,510	801,882	(244,628)	(23.38%)
Benefits & Claims	164,418,427	167,678,196	184,698,761	187,492,919	332,096,623	372,191,680	40,095,057	12.07%
Total Costs	**$188,887,112**	**$194,217,185**	**$210,067,041**	**$212,609,569**	**$383,104,297**	**$422,676,610**	**$39,572,313**	**10.33%**
General Fund	53,214,370	65,989,671	74,505,582	75,960,188	119,204,041	150,465,770	31,261,729	26.23%
State Special	5,607,178	5,541,925	5,607,178	5,607,178	11,149,103	11,214,356	65,253	0.59%
Federal Special	130,065,564	122,685,589	129,954,281	131,042,203	252,751,153	260,996,484	8,245,331	3.26%
Total Funds	**$188,887,112**	**$194,217,185**	**$210,067,041**	**$212,609,569**	**$383,104,297**	**$422,676,610**	**$39,572,313**	**10.33%**

Program Description
The Disability Services Division (DSD) assists Montanans with disabilities and children with mental health needs to live, work, and participate in their communities. The dvision includes the Developmental Disabilities Program, the Montana Developmental Center, and the Children's Mental Health Bureau. The division provides or contracts for institutional care, inpatient care, residential services, home and community based services, and case management.

The Developments Disabilities Program operates three home and community based Medicaid waivers, the state's IDEA early intervention program, and the state facility for behavioral treatment at the Montana Developmental Center in Boulder. These services include transportation, residential and work habilitation, adaptive equipment, and some medical services not covered by state plan Medicaid.

The Children's Mental Health Bureau manages a continuum of services to address the needs of youth with serious emotional disturbance and their families. These services are funded by Medicaid and offered by Medicaid enrolled providers. In addition the bureau builds linkages to other child serving agencies to support the development of a system of care for youth.

Statutory Title 53, MCA, 29 U.S.C. 721 et. seq., 29 U.S.C. 796, et. seq., 29 U.S.C. 774, 29 U.S.C. 777b, 29 U.S.C. 2201 et. seq., 42 U.S.C. 75, 6602, 72 U.S.C. 1300, 42 CFR 441.302(b), 42 CFR 441.302(g), 45 CFR 74.62, and 34 CRF Part 303.

Program Highlights

Disability Services Division
Major Budget Highlights

- DSD budget increases general fund expenditures by $31.3 million when compared to the 2011 biennium
  - $14.5 million of the increase is due to the loss of federal FMAP support provided in the federal stimulus package
  - $11.6 million is requested for caseload adjustments to draw down $22.6 million in federal funds
  - $1.3 million is requests in waiver annualizations to draw down $3.3 million in federal funds

Major LFD Issues

- DSD has not provided measurements for the Medicaid autism waiver or community based services that the 2011 Legislature can use to assess the performance of the programs

Program Narrative

Goals and Objectives

The Legislative Finance Committee (LFC) followed two goals during the 2011 biennium for the Disability Services Division (DSD).

- Autism waiver
- Community based services for individuals with developmental disabilities

A discussion of LFD issues and LFC recommendations in relation to goals and objectives for this division is presented in the subprogram narratives. The LFC recommends the Joint Appropriations Subcommittee on DPHHS consider the goals and performance measurements as part of their budget deliberations on executive requests for DSD.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The executive has included all of DSD proposed reductions in the budget. The following summarizes the plan submitted for this program.

Total 5% Reduction Plan Identified By Division
Included and Not Included in Executive Budget
2013 Biennium

Program/DP Number/Description	FTE	General Fund	% Of Total	State Special Revenue	% Of Total	Federal Special Revenue	% Of Branch Total	Total Funds	% Of Division Total
Included in Executive Budget									
55410 4% Personal Services Reduction - MDC Reconfiguration*	(13.00)	($289,126)	6.4%	$0	0.0%	$1,387,789	25 60%	$1,098,663	121 87%
55140 17-7-140 Reductions - Operations Efficiency		(197,168)	4.4%	0	0.0%	0	0.00%	(197,168)	-21 87%
10107 Medicaid Benefit - DD Refinancing		(4,034,276)	89 2%	0	0.0%	4,034,276	74 40%	0	0 00%
Subtotal Included in Executive Budget		($4,520,570)	100 0%	$0	0.0%	$5,422,065	100 00%	$901,495	100 00%
Total Disability Services Divison		($4,520,570)	100 0%	$0	0 0%	$5,422,065	100.00%	$901,495	100 00%
Total Reduction Plan									
Included in Executive Budget		($4,520,570)	100.0%	$0	0.0%	$5,422,065	100 00%	$901,495	100 00%
Not Included in Executive Budget		0	0.0%	0	0 0%	0	0 00%	0	0 00%
Total Program Reduction Plan		(4,520,570)	100.0%	$0	0.0%	$5,422,065	100 00%	$901,495	100 00%

*Federal funds would also be impacted See the decision package description for further information.

As shown in the figure above, all of the division's proposals to reduce general fund were included in the executive's proposed budget for the 2013 biennium. Further discussion on the proposals is included in the program and subprogram narratives of the division.

Reorganization

DPHHS reorganized division responsibilities and funding during FY 2010. Vocational rehabilitation services were moved out of the division and into the Economic Security Branch, reducing FTE by 144.0 and total appropriations by $25.2 million in FY 2010. Children's mental health services were moved into DSD, increasing FTE by 16.0 and total

appropriations by $58.2 million in the base year. As a result of the program transfers, the FY 2010 base for DSD was increased.

Provision of Services

The division provides services through three areas: 1) children's mental health; 2) institutional services for individuals with developmental disabilities; and 3) community services for individuals with developmental disabilities.

LFD COMMENT

According to the DPPHS 2010 Montana Maternal Child Health Needs Assessment:

- 14% of Montana children or 32,810 are children with special health care needs, which is defined as children who have or are at increased risk for a chronic physical, developmental, behavioral, or emotional condition and who also require health and related service of a type or amount beyond that required by children generally
- 52% of the Montana children with special health care needs live in households with an income below 200% of the federal poverty level or 17,000 children
- 29% or 9,500 of those children with special health care needs have health conditions that consistently affect their daily lives, often a great deal
- 32% of children 2-17 years old with problems requiring counseling services did not receive mental health care

A significant number of the children identified in the needs assessment are served by the programs of DSD, including the Children's Mental Health Services Bureau and the Developmental Disabilities Program.

Proposed Change in Service Delivery

Included in the executive's proposed budget is a proposal to restructure the institutional services for individuals with developmental disabilities provided at the Montana Developmental Center (MDC). Twelve individuals residing in cottage six at MDC are eligible to move into community services, a less expensive alternative to residential care at MDC. The individuals are:

- Older
- Roommates
- Long-term residents of the facility, in one case 68 years
- Moderate to severely mentally retarded
- Supervised with activities of daily living
- Not dually diagnosed with a mental illness

As the residents have lived together for many years, DSD will work with DSD providers to take the group together, maintaining each client's relationships and routines, reducing the changes for the clients, and reducing the probability the residents will need to return to MDC.

The executive proposes decreasing the budget for MDC, including FTE, personal services, and operational costs. The cost reductions include reducing the licensed capacity of the cottages from 56 to 44. Other changes include creating office space for professional staff in the cottages by reducing the number of clients residing in each of the cottages. Reductions in general fund from this proposal are $1.0 million over the biennium. However, it should be noted that there is a corresponding reduction in general fund revenues for those individuals eligible under Medicaid as MDC is funded 100% with general fund and any Medicaid reimbursements are deposited into the general fund. The estimated reduction in general fund revenues from institutional reimbursements is $0.4 million over the 2013 biennium.

The reductions in the MDC budget are partially offset by increases in the costs of providing community services for the individuals moved from MDC. The executive requests $0.7 million in general fund and $1.4 million in federal funds to provide services funded in the Developmental Disabilities Program. Further discussion on these programs and services can be found in the subprogram narratives for this division.

Summary of Expenditures by Funding

The following figure shows the FY 2010 base budget expenditures compared to the 2013 biennium budget request by function for DSD.

Disability Services Division
Fiscal Year 2010 Base Budget Compared to 2013 Biennium Executive Budget Request
By Major Function

Function	FY 2010 Base Budget General Fund	State Special	Federal Special	Total Funds	FY 2012 Request General Fund	State Special	Federal Special	Total Funds	FY 2013 Request General Fund	State Special	Federal Special	Total Funds	Percent of Division Biennium Total
Children's Mental Health Services													
Children's Mental Health Admin	$419,852	$0	$220,124	$639,976	$352,089	$0	$184,633	$536,722	$352,120	$0	$184,648	$536,768	0.25%
Children's Mental Health Ben & Grants	731,936	0	0	731,936	731,936	0	0	731,936	731,936	0	0	731,936	0.35%
Medicaid Admin Children's Mental Health	947,952	0	1,911,413	2,859,365	1,002,883	0	2,021,655	3,024,538	1,002,582	0	2,020,697	3,023,279	1.43%
Medicaid Ben Children's Mental Health	12,123,465	2,053,472	47,879,884	62,056,821	21,910,558	2,053,472	46,914,499	70,878,529	22,575,121	2,053,472	47,258,718	71,887,311	33.78%
Subtotal Children's Mental Health Services	$14,223,205	$2,053,472	$50,011,421	$66,288,098	$23,997,466	$2,053,472	$49,120,787	$75,171,725	$24,661,759	$2,053,472	$49,464,063	$76,179,294	35.81%
Percent of Total Funds	21.46%	3.10%	75.45%	100.00%	31.92%	2.73%	65.34%	100.00%	32.37%	2.70%	64.93%	100.00%	
Institutions													
Montana Developmental Center	$13,303,175	$11,576	$0	$13,314,751	$13,718,100	$11,576	$0	$13,729,676	$13,454,097	$11,576	$0	$13,465,673	6.43%
MCD Alternative Safety Unit	1,817,045	0	0	1,817,045	2,000,742	0	0	2,000,742	2,001,356	0	0	2,001,356	0.95%
Subtotal Institutions	$15,120,220	$11,576	$0	$15,131,796	$15,718,842	$11,576	$0	$15,730,418	$15,455,453	$11,576	$0	$15,467,029	7.38%
Percent of Total Funds	99.92%	0.08%	0.00%	100.00%	99.93%	0.07%	0.00%	100.00%	99.93%	0.07%	0.00%	100.00%	
Institutional Medicaid Reimbursement	0	0	9,080,434	9,080,434	0	0	9,080,434	9,080,434	0	0	9,080,434	9,080,434	4.30%
Developmental Disabilities - Community													
Administration	$1,242,057	$0	$2,134,664	$3,376,721	$1,477,075	$0	$2,129,258	$3,606,333	$1,484,097	$0	$2,131,976	$3,616,073	1.71%
Targeted Case Management Admin	719,080	0	971,445	1,690,525	725,322	0	980,506	1,705,828	726,263	0	982,784	1,709,047	0.81%
Targeted Case Management - Adults	655,943	0	2,148,957	2,804,900	1,035,292	0	2,029,518	3,064,810	1,056,950	0	2,028,133	3,085,083	1.45%
Medicaid Comprehensive Waiver Services	13,638,037	2,942,130	56,806,255	73,386,422	26,328,670	2,942,130	57,380,473	86,651,273	27,342,763	2,942,130	58,112,344	88,397,237	41.41%
Medicaid Community Supports Waiver	328,561	0	1,178,642	1,507,203	542,924	0	1,064,311	1,607,235	556,994	0	1,068,790	1,625,784	0.76%
Mediciad Autism Waiver	268,485	0	951,982	1,220,467	709,521	0	1,390,895	2,100,416	727,425	0	1,395,822	2,123,247	1.00%
DD Benefits	3,972,912	0	3,938,287	7,911,199	926,796	0	3,938,287	4,865,083	904,555	0	3,938,287	4,842,842	2.30%
Medicaid Administration	901,773	0	1,021,318	1,923,091	899,767	0	1,019,048	1,918,815	899,832	0	1,019,119	1,918,951	0.91%
Early Intervention, IDEA Part C	2,144,097	600,000	1,822,159	4,566,256	2,143,907	600,000	1,820,764	4,564,671	2,144,097	600,000	1,820,451	4,564,548	2.16%
Subtotal Developmental Disabilities	$23,870,945	$3,542,130	$70,973,709	$98,386,784	$34,789,274	$3,542,130	$71,753,060	$110,084,464	$35,842,976	$3,542,130	$72,497,706	$111,882,812	52.51%
Percent of Total Funds	24.26%	3.60%	72.14%	100.00%	31.60%	3.22%	65.18%	100.00%	32.04%	3.17%	64.80%	100.00%	
Total Disability Services Division	$53,214,370	$5,607,178	$130,065,564	$188,887,112	$74,505,582	$5,607,178	$129,954,281	$210,067,041	$75,960,188	$5,607,178	$131,042,203	$212,609,569	100.00%
Percent of Total	28.17%	2.97%	68.86%	100.00%	35.47%	2.67%	61.86%	100.00%	35.73%	2.64%	61.64%	100.00%	

About 88.3% of funding for the division supports comprehensive waiver services for developmentally disabled individuals and mental health benefits for children. Both programs are provided under the federal Medicaid program. Increases from the FY 2010 base budget are primarily due to the executive's statewide present law adjustment and for present law requests for projected increases in caseload and the state's share of the costs for providing Medicaid services. The other significant executive request is for annualization of client cost plans under two Medicaid waivers – the comprehensive waiver and the autism waiver.

Medicaid services are entitlements and are required under federal law to be provided to individuals that qualify for services. However, the Centers for Medicare and Medicaid Services can approve waivers to federal Medicaid requirements that allow states to provide services to target populations. The waivers granted to Montana and administered by DSD allow the state to contain costs for the targeted populations of developmental disabled individuals and mentally ill children as the services are delivered through a more cost effective delivery system and costs can be limited by the funding provided by the legislature. DSD operates three waivers for developmentally disabled individuals and one waiver for mentally ill children.

The Montana Developmental Center (MDC) is the other major component of the division budget. The executive request for reinstatement of overtime and holiday pay for employees in the 24/7 facility is the major driver of the increases above the 2010 base budget for the institution. The executive proposes reducing staff at MDC by 13.00 FTE, reducing personal services costs and operating expenses by $1.0 million in general fund over the biennium. The proposed reduction in the MDC budget is partially offset by increases of $0.7 million in services provided under the Medicaid comprehensive waiver.

Summary of Benefits

The costs of this division are driven by the provision of benefits and the staff and contracted providers that deliver the services throughout the state. The figure below summarizes the benefits provided in the FY 2010 base year and the anticipated increases in the 2013 biennium.

Disability Services Division
Summary of Benefits and Claims with Related Funding

Description	FY 2010 Base Budget General Fund	FY 2010 Base Budget State Special	FY 2010 Base Budget Federal Special	FY 2010 Base Budget Total Funds	FY 2012 Request General Fund	FY 2012 Request State Special	FY 2012 Request Federal Special	FY 2012 Request Total Funds	FY 2013 Request General Fund	FY 2013 Request State Special	FY 2013 Request Federal Special	FY 2013 Request Total Funds	Percent of Division Biennium Total
Benefits and Claims													
Medicaid Children's Mental Health	$12,123,465	$2,053,472	$47,879,884	$62,056,821	$21,910,558	$2,053,472	$46,914,499	$70,878,529	$22,575,121	$2,053,472	$47,258,718	$71,887,311	38 36%
Children's Mental Health Admin	21,159	0	11,096	32,255	21,159	0	11,096	32,255	21,159	0	11,096	32,255	0 02%
Children's Mental Health Ben & Grants	729,892	0	0	729,892	729,892	0	0	729,892	729,892	0	0	729,892	0.39%
MDC Medicaid	0	0	9,080,434	9,080,434	0	0	9,080,434	9,080,434	0	0	9,080,434	9,080,434	4 88%
Medicaid Comprehensive Waiver	13,638,037	2,942,130	56,806,255	73,386,422	26,328,670	2,942,130	57,380,473	86,651,273	27,342,763	2,942,130	58,112,344	88,397,237	47 03%
Medicaid DD Targeted Case Management	655,943	0	2,148,957	2,804,900	1,035,292	0	2,029,518	3,064,810	1,056,950	0	2,028,133	3,085,083	1 65%
Medicaid Community Supports Waiver	328,561	0	1,178,642	1,507,203	542,924	0	1,064,311	1,607,235	556,994	0	1,068,790	1,625,784	0 87%
DD Benefits	3,972,912	0	3,938,287	7,911,199	926,796	0	3,938,287	4,865,083	904,555	0	3,938,287	4,842,842	2 61%
Medicaid Autism Waiver	268,485	0	951,982	1,220,467	709,521	0	1,390,895	2,100,416	727,425	0	1,395,822	2,123,247	1 13%
Medicaid Admin DD	584,432	0	661,957	1,246,389	584,556	0	661,833	1,246,389	584,556	0	661,833	1,246,389	0 67%
Early Intervention , IDEA Part C	2,085,728	583,737	1,772,980	4,442,445	2,086,616	583,737	1,772,091	4,442,445	2,087,061	583,737	1,771,647	4,442,445	2.39%
Total Benefits and Claims	$34,408,614	$5,579,339	$124,430,474	$164,418,427	$54,875,985	$5,579,339	$124,243,437	$184,698,761	$56,586,476	$5,579,339	$125,327,104	$187,492,919	100 00%

Medicaid benefits provided to developmentally disabled individuals living in the community comprise over 47% of the benefits provided by the division while Medicaid benefits provided to mentally ill children make up the majority of the rest of the benefits provided. The increases in Medicaid benefits are primarily driven by the Governor's request for caseload increases of $18.6 million for children's mental health and $15.7 million for developmentally disabled individuals.

As shown, DD benefits are 2.6% of the biennial budget request. Services provided include case management for non-Medicaid children or children on the waiting list for waiver services. In this biennium, the executive did not include adjustments for caseload to this portion of the budget due to a proposal to move 100 individuals with services funded with general fund into comprehensive waiver services funded with a combination of general fund and federal special revenues under the Medicaid program. The proposal reduces general fund by $4.0 million over the 2013 biennium.

Medicaid reimbursement for services provided to developmentally disabled individuals residing at MDC are almost 5% of the benefits provided by the division. The Business and Financial Services Division (BFS) estimates the amount of institutional reimbursements each of the DPHHS facilities will receive in the next fiscal years for inclusion in the budget.

LFD COMMENT

The following figure compares the Medicaid reimbursements included in the DSD budget to the LFD revenues estimates adopted by the Revenue and Transportation Interim Committee on November 19, 2010.

Disability Services Division MDC Medicaid Estimates			
Fiscal Year	Included In Budget	LFD	Difference
FY 2012	$9,080,434	$8,857,689	($222,745)
FY 2013	9,080,434	9,000,792	(79,642)
Total	$18,160,868	$17,858,481	($302,387)

As shown in the figure, the legislative revenue estimates for Medicaid reimbursements for MDC are $302,387 less than budgeted in the DSD budget over the 2013 biennium. The effect of including a higher amount in the budget is that the agency would have federal budget authority that is unlikely to be needed for that purpose. The estimates do not reflect proposed reductions in the MDC population discussed in the program narrative. This impact is discussed in the program narrative of this division.

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table
Disability Services Division

Program Funding		Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000	Total General Fund	$ 53,214,370	28.2%	$ 74,505,582	35.5%	$ 75,960,188	35.7%
	01100 General Fund	53,214,370	28.2%	74,505,582	35.5%	75,960,188	35.7%
02000	Total State Special Funds	5,607,178	3.0%	5,607,178	2.7%	5,607,178	2.6%
	02035 Mdc Vocational	11,576	0.0%	11,576	0.0%	11,576	0.0%
	02597 Montana Healthy Kids Initiative	78,917	0.0%	78,917	0.0%	78,917	0.0%
	02772 Tobacco Hlth & Medicd Initiative	4,683,133	2.5%	4,683,133	2.2%	4,683,133	2.2%
	02987 Tobacco Interest	833,552	0.4%	833,552	0.4%	833,552	0.4%
03000	Total Federal Special Funds	130,065,564	68.9%	129,954,281	61.9%	131,042,203	61.6%
	03237 Alternative To Psych Treatment Fac	361,450	0.2%	260,148	0.1%	260,172	0.1%
	03556 84.181 - Part H - Early Interv	1,714,882	0.9%	1,713,497	0.8%	1,713,174	0.8%
	03579 93.667 - Ssbg - Benefits	4,045,564	2.1%	4,045,554	1.9%	4,045,564	1.9%
	03580 6901-93.778 - Med Adm 50%	2,687,209	1.4%	2,780,555	1.3%	2,779,644	1.3%
	03583 93.778 - Med Ben Fmap	117,930,226	62.4%	117,860,130	56.1%	118,944,241	55.9%
	03599 03 Indirect Activity Prog 10	3,106,109	1.6%	3,109,764	1.5%	3,114,760	1.5%
	03794 Samsha Grant	220,124	0.1%	184,633	0.1%	184,648	0.1%
Grand	Total	$ 188,887,112	100.0%	$ 210,067,041	100.0%	$ 212,609,569	100.0%

The majority of the funding supporting DSD comes from federal sources (61.6%) and is used for the provision of benefits and client services. General fund provides over a third of the support for the division. General fund is primarily used to support the Montana Developmental Center and as match to draw down Medicaid and other federal matching funds. The matching ratio for federal programs administered by the division varies. However, the most common ratios are as follows:

- Medicaid services are funded at the federal medical assistance participation rate (FMAP), which for the 2013 biennium is generally 34 percent state funds and 66 percent federal funds (for more information see the Agency Overview section of this narrative)
- Medicaid administrative costs are funded at 50/50 ratio of state and federal funds
- Psychiatric Residential Treatment Facilities (PRTF) waiver services for two sites and state administrative costs are 100% federal funds
- MDC is funded entirely with general fund. Medicaid reimbursements for services provided at MDC and discussed under Summary of Benefits are first used to repay bond debt and the remaining balance is deposited in the general fund

Two federal sources are used to fund services to children with a serious emotional disturbance (SED) - Medicaid and the Children's Health Insurance Program (CHIP). Medicaid and general fund used for state match support services provided to mentally ill children in the Children's Mental Health Program budget, but the majority of federal CHIP funding and state matching funds for services provided to SED children are budgeted in the Health Resources Division, not DSD.

State special revenue funds include health and Medicaid initiative funding and tobacco settlement interest funds. These funding sources are discussed in detail in the Agency summary.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	53,214,370	53,214,370	106,428,740	70.73%	188,887,112	188,887,112	377,774,224	89.38%
Statewide PL Adjustments	15,133,374	15,146,956	30,280,330	20.12%	427,148	441,204	868,352	0.21%
Other PL Adjustments	7,911,501	9,175,844	17,087,345	11.36%	19,261,379	20,762,093	40,023,472	9.47%
New Proposals	(1,753,663)	(1,576,982)	(3,330,645)	(2.21%)	1,491,402	2,519,160	4,010,562	0.95%
Total Budget	**$74,505,582**	**$75,960,188**	**$150,465,770**		**$210,067,041**	**$212,609,569**	**$422,676,610**	

An adjustment was made to the funding for this division to reflect the end of the increased federal FMAP provided through the federal stimulus package in the 2011 biennium. The 2009 Legislature had anticipated and sanctioned this funding switch in HB 645, which implemented the federal stimulus in Montana. Federal funds totaling $15.1 million in the FY 2010 base expenditures have been replaced with general fund each year of the 2013 biennium in the proposed executive budget. For additional detail see the Agency Overview section of this narrative. Other present law adjustments and new proposals are discussed in detail in the subprogram narratives that follow.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012 FTE	Fiscal 2012 General Fund	Fiscal 2012 State Special	Fiscal 2012 Federal Special	Fiscal 2012 Total Funds	Fiscal 2013 FTE	Fiscal 2013 General Fund	Fiscal 2013 State Special	Fiscal 2013 Federal Special	Fiscal 2013 Total Funds
Personal Services					1,226,895					1,235,74
Vacancy Savings					(761,534)					(761,889
Inflation/Deflation					(58,736)					(51,064
Fixed Costs					20,523					18,41
Total Statewide Present Law Adjustments		**$15,133,374**	**$0**	**($14,706,226)**	**$427,148**		**$15,146,956**	**$0**	**($14,705,752)**	**$441,20**
DP 10001 - FMAP Adj - DD & CMH	0.00	688,470	0	(688,470)	0	0.00	1,346,538	0	(1,346,538)	
DP 10002 - Med Ben - CMH Caseload	0.00	2,982,619	0	5,839,089	8,821,708	0.00	3,367,926	0	6,462,564	9,830,49
DP 10003 - Med Ben - DD Caseload	0.00	2,564,364	0	5,027,002	7,591,366	0.00	2,764,300	0	5,304,292	8,068,59
DP 10006 - Restore OT/Holidays Worked	0.00	927,631	0	0	927,631	0.00	933,187	0	0	933,18
DP 10007 - Non DofA rent adjustment	0.00	2,015	0	4,297	6,312	0.00	4,764	0	10,698	15,46
DP 10008 - Med Ben - Annualization of Service Expansion	0.00	679,973	0	1,332,973	2,012,946	0.00	689,636	0	1,323,310	2,012,94
DP 10009 - FMAP Adj - DD Operating Costs	0.00	165,013	0	(165,013)	0	0.00	168,077	0	(168,077)	
DP 10010 - Reduction to DSD Base	0.00	(924,237)	0	0	(924,237)	0.00	(924,237)	0	0	(924,237
DP 10011 - Re-establish Comprehensive Waiver Base	0.00	924,237	0	0	924,237	0.00	924,237	0	0	924,23
DP 55140 - 17-7-140 reductions - Operations Efficiency	0.00	(98,584)	0	0	(98,584)	0.00	(98,584)	0	0	(98,584
Total Other Present Law Adjustments	**0.00**	**$7,911,501**	**$0**	**$11,349,878**	**$19,261,379**	**0.00**	**$9,175,844**	**$0**	**$11,586,249**	**$20,762,09**
Grand Total All Present Law Adjustments	**0.00**	**$23,044,875**	**$0**	**($3,356,348)**	**$19,688,527**	**0.00**	**$24,322,800**	**$0**	**($3,119,503)**	**$21,203,29**

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- **Pay Plan Exceptions** – None.
- **Program Specific Obstacles** – For all agency programs, decreased numbers of staff and increased stress and burnout for employees has resulted in fewer internal referrals, decreased satisfaction with work/life balance, lack of available time and resources to train and develop current staff and new recruits, and fear and uncertainty with government job stability. In combination, these factors have led to a shortage of high-level skilled workers seeking public service work with this agency. DSD continues to have difficulty filling nursing positions at MDC as they require specialized skills in a competitive labor market.
- **Vacancy** – Occupations with historically high turnover rates in DSD include licensed practical nurses, registered nurses, psychiatric technicians, and rehabilitation counselors. Ongoing vacancies have increased overtime and increased employee workload and stress. Supervisors are carrying increasingly heavy workloads across all agency programs to cope with staff vacancies and as new employees are trained to be fully productive in their positions
- **Legislatively Applied Vacancy Savings** – Each agency division was given a target for personal services budget reductions. In general, vacancies were held open until the 7% savings was accomplished. However, the agency managed the vacancy savings based on ongoing assessment of what positions constituted the most critical need and allocating resources using an agency-wide strategy. Some critical positions were filled quickly while others were held open longer. Each request to fill was reviewed, evaluated, and either held open or approved to be filled by the program administers.

- **Pay/Position Changes** – DSD upgraded 18 positions, downgraded 3 positions, changed 4 positions laterally, and changed the pay for 5 positions including a social services technician, an insurance claim examiner, and 3 data control technicians. The pay increases were funded by vacancy or other budgetary savings.
- **Retirements** – Out of 346 total employees in DSD, 202 or 58.4% are eligible for retirement. The division estimates 54 employees will retire in the 2011 and 2013 biennia (including actual retirements in FY 2010) at an estimated cost of $203,655 in the 2013 biennium. Planning for these vacancies is ongoing but doesn't contemplate double filling positions at this time due to budget restrictions.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals

	Fiscal 2012					Fiscal 2013				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 10103 - Med Ben - Restore Autism Group Home										
10	0.00	216,982	0	425,356	642,338	0.00	220,065	0	422,273	642,338
DP 10104 - Med Ben - MDC Transition to Waiver										
10	0.00	125,019	0	245,078	370,097	0.00	430,691	0	826,435	1,257,126
DP 10107 - Med Ben - DD Refinancing										
10	0.00	(2,017,138)	0	2,017,138	0	0.00	(2,017,138)	0	2,017,138	0
DP 55410 - 4% GF - MDC Reconfiguration										
10	(8.71)	(78,526)	0	557,493	478,967	(13.00)	(210,600)	0	830,296	619,696
Total	**(8.71)**	**($1,753,663)**	**$0**	**$3,245,065**	**$1,491,402**	**(13.00)**	**($1,576,982)**	**$0**	**$4,096,142**	**$2,519,160**

Sub-Program Details
CHILDREN'S MENTAL HEALTH SERVICES 01

Sub-Program Proposed Budget
The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	17.49	0.00	0.00	17.49	0.00	0.00	17.49	17.49
Personal Services	1,017,066	60,918	0	1,077,984	58,855	0	1,075,921	2,153,905
Operating Expenses	2,051,123	1,001	0	2,052,124	1,851	0	2,052,974	4,105,098
Grants	400,941	0	0	400,941	0	0	400,941	801,882
Benefits & Claims	62,818,968	8,821,708	0	71,640,676	9,830,490	0	72,649,458	144,290,134
Total Costs	**$66,288,098**	**$8,883,627**	**$0**	**$75,171,725**	**$9,891,196**	**$0**	**$76,179,294**	**$151,351,019**
General Fund	14,223,205	9,774,261	0	23,997,466	10,438,554	0	24,661,759	48,659,225
State/Other Special	2,053,472	0	0	2,053,472	0	0	2,053,472	4,106,944
Federal Special	50,011,421	(890,634)	0	49,120,787	(547,358)	0	49,464,063	98,584,850
Total Funds	**$66,288,098**	**$8,883,627**	**$0**	**$75,171,725**	**$9,891,196**	**$0**	**$76,179,294**	**$151,351,019**

Sub-Program Description
The Children's Mental Health Bureau (CMHB) administers mental health services for children, including Medicaid funded services, an expanded mental health benefit program in HMK for seriously emotionally disturbed (SED) children, and very limited services supported by general fund. The expanded mental health benefit program in HMK is limited to 130 children and budgeted in the Health Resources Division.

Seriously emotionally disturbed youth eligible for Medicaid services have access to a continuum of mental health services if they meet requirements of medical necessity. The costs of the Medicaid services are included in either the Health Resource Division or the Disability Services Division proposed budgets.

It is DSD's policy to serve youth in the least restrictive setting appropriate to the youth's needs. Basic outpatient mental health services are provided by licensed mental health professionals, including psychologists, social workers, and professional counselors. Medical providers such as advanced practice nurses, psychiatrists, or primary care doctors also provide mental health services. These professionals are often the first to interact with the child and his/her family at the onset of symptoms. The annual costs for individually licensed mental health professionals is in the DSD budget while the costs of medical providers and medications are included in the Health Resource Division budget.

Next in the continuum of care for youth with SED and his/her family are mental health center outpatient services. These include individual, group, and family therapy provided in a clinic setting, psychotropic medication management, target youth case management, youth day treatment, community-based psychiatric rehabilitation and support services, comprehensive school and community treatment, and therapeutic family care. These services are provided when a youth's symptoms cannot be managed successfully with limited therapies and medication. The youth continues to reside with his/her family but both the child and the family receive increased services through the mental health center. The majority of the costs included in this category of services are included in the Children's Mental Health Bureau budget. The figure on the following page provides the costs of these services over the last 5 years and the executive's estimated costs for FY 2011, FY 2012, and FY 2013.

Disability Services Division Children's Mental Health Division Costs of Services								
	Actual Expenditures					Estimated		
Medicaid Service	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Mental Health Centers	$4,405,574	$3,602,529	$3,896,745	$5,382,191	$6,148,088	$6,532,344	$6,734,357	$6,895,981
Case Management Services	5,056,952	5,156,882	4,898,168	4,778,569	5,026,429	5,026,429	4,922,745	4,898,131
Inpatient Hospital Services	3,773,945	3,668,414	2,531,627	3,429,344	4,625,410	4,717,918	4,788,665	4,879,649
Residential Psychiatric	16,840,447	15,528,989	12,606,453	12,579,092	13,231,297	12,834,358	13,034,242	13,034,242
Therapeutic Group Home	14,967,222	16,027,134	17,247,286	15,289,308	16,319,981	17,299,179	17,743,983	18,013,600
Therapeutic Foster Care	5,109,435	5,690,791	6,627,561	8,330,505	9,275,927	9,790,741	10,142,671	10,479,813
Total	$50,153,575	$49,674,739	$47,807,840	$49,789,009	$54,627,132	$56,200,969	$57,366,663	$58,201,416

Youth whose symptoms can no longer be managed by the family while residing at home are eligible to receive out-of-home services in inpatient hospitals, therapeutic group homes, or psychiatric residential treatment facilities. While most of these services are provided in Montana, some are provided out of state, depending on availability of beds and the needs of the child. Youth needing this level of care can incur the greatest costs. The Medicaid costs included for these services are budgeted in CMHB. The figure above provides the costs of out of home care over the last 5 years and the executive's estimated costs for FY 2011, FY 2012, and FY 2013. Montana has received a federal grant to operate a demonstration waiver (PRTF) to provide wraparound services to children who qualify for or are at risk of placement in psychiatric residential treatment facilities. The purpose of the waiver is to support a youth in need of psychiatric residential treatment care to remain in their homes with their family. Youth already living in a psychiatric residential treatment facility may discharge early and transition to waiver services.

In addition, Montana offers the option of therapeutic foster care. These services allow youth to live in the foster care home while the foster family and the youth receive therapeutic support. These supports are the same as those provided to the youth's biological family when therapeutic family care is provided. The costs for these services are also included in the CMHB budget. The figure above shows the costs of these services over the last 5 years and the executive's estimated costs for FY 2011, FY 2012, and FY 2013. The above does not include foster care costs, those are budgeted in Child and Family Services Division.

The costs to serve youth at the high end of the continuum is significant. The figure below shows the Medicaid expenditures for the highest cost youth served in the last 4 years.

Disability Services Division Childrens Mental Health Bureau Medicaid Expenditures for Highest Cost Youth Served				
Category	FY 2007	FY 2008	FY 2009	FY 2010
Cost to Serve Top 100	$11,366,434	$10,085,806	$10,124,506	$10,230,511
Average Cost per Youth of Top 100	$113,664	$100,858	$101,245	$102,305
Cost to Serve Youth 101-400	$19,520,666	$18,261,725	$18,186,863	$18,723,872
Average Cost per Youth 101-400	$65,069	$60,872	$60,623	$62,413
Average Cost per Youth of Total Served (approximately 9,000 a year)	$6,567	$6,483	$6,568	$6,359
Source: DPHHS, Data based on Date of Service, Claims Paid Through 11/30/10 Expenditures shown are those costs only to the CMHB, excluded are costs to other divisions such as CSCT (school-based services) and pharmacy/medications				

As shown the costs to serve the top 100 cost youth are significantly higher, almost $40,000 per child per year, than the cost to serve the next group of youth at 101 to 400. The average cost for all children served is approximately $6,500 over the last four years. The top 100 cost youth costs are significantly higher due to the need to place the youth in institutional placements, either hospitals, PRTF, or therapeutic group homes.

Budgetary risks

The executive proposes increasing the funding for children's Medicaid mental health services due to projected increases in either the cost of providing services or number of children needing mental health services in the 2013 biennium.

LFD COMMENT

The executive proposes $18.6 million in additional funding to support caseload increases for Medicaid children's mental health services. $6.35 million of the proposed increase is general fund. As discussed in the agency narrative, the Medicaid caseload increases are based on the following assumptions:

- The Montana economy began to recover from the effects of the economic recession in FY 2011
- Medicaid caseload will increase 2.59% in FY 2012 and 1.32% in FY 2013
- The current growth in the number of individuals eligible for Medicaid services is occurring mainly in children
- The caseload is built by using a mixture of older trended history, recent two year history, and what the department believes will happen in the next biennium

Caseload estimates are also based on the estimated cost of providing Medicaid services and the estimated number of individuals needing the services during the time period. LFD requested the average number of seriously emotionally disturbed (SED) children estimated to need services in FY 2011, FY 2012, or FY 2013 but the agency has not yet provided this information. The LFD also requested information on the specifics of the assumptions included in the budget proposal for children's mental health services when the Governor submitted his budget, but had not received it as of this writing. LFD will continue to pursue this information for legislative deliberation and decision making.

In the last two fiscal years the total number of children eligible to receive Medicaid services has increased:

- In FY 2009 the total increase was 3,936 children or an average of 328 children a month
- In FY 2010 the total increase was 12,950 children or an average of 1,079 children a month

Correspondingly, the average number of children receiving Medicaid children's mental health benefits has also increased:

- In FY 2009 the average number receiving services was 3,955 or 8.2% of the average eligible to receive Medicaid services
- In FY 2010 the average number receiving services was 4,318 or 7.7% of the average eligible to receive Medicaid services

The Governor's budget proposal includes a total increase in costs for children's Medicaid mental health services but does not include the estimated number of children needing the services or whether the number requiring services increases, decreases, or remains flat when compared to the 2011 biennium. Changes in the number served could be used to evaluate the reasonableness of the assumptions and the risk that the caseload adjustment is under or overstated. LFD will continue to pursue this information for legislative deliberation.

In addition, the total costs of children's Medicaid mental health services have increased an average of 3.5% over the last 3 years. However, the various services provided with the Medicaid mental health costs have varied significantly in growth. The figure on the following page shows the average annual growth rates and the projected growth for the executive's budget proposal.

LFD COMMENT CONT.

As shown, the growth rate for the various Medicaid services have varied significantly, from a 3 year average annual decline of 5.2% in residential psychiatric services to a 3 year annual increase of 19.5% in mental health center costs. The changes included in 2013 biennial budget do not provide information on the assumptions behind the proposed growth rates specific to the major Medicaid services included in children's mental health services. For example, what are the assumptions relative to the 2.1% decline in case management services in FY 2012 or the flat growth included for residential psychiatric services in FY 2013?

Given the information available it is difficult to gauge the risks of the proposed budget and whether it is appropriate for the 2013 biennium. LFD will continue to pursue this information. The legislature may also wish to receive updated information on the specific components of the projection.

Disability Services Division
Children's Mental Health Services
Average Annual Growth Rates

Services	Average Annual 3 year Growth	5 year Growth	8 Year Growth	Projected Growth FY 2011	FY 2012	FY 2013
Total Children's Mental Health	3.50%	4.10%	1.20%	3.60%	2.40%	1.50%
Therapeutic Group Homes	0.60%	3.00%	1.60%	6.00%	2.60%	1.50%
Residental Psychiatric	-5.20%	-2.10%	-2.30%	-3.00%	1.60%	0.00%
Therapuetic Foster Care	17.70%	13.50%	4.80%	5.60%	3.60%	3.30%
Mental Health Centers	19.50%	6.60%	1.10%	6.30%	3.10%	2.40%
Case Management Services	-0.90%	1.20%	-2.60%	0.00%	-2.10%	-0.50%
Inpatient Hospital	8.00%	17.00%	8.10%	2.00%	1.50%	1.90%

Interim Reports to the Legislature

SB 399

The high cost of providing mental health services to children has been concern to the legislature for a number of sessions, including out-of-state placement costs. The 61st Legislature passed SB 399 requiring DPHHS to report biannually to the Children, Families, Health, and Human Services Interim Committee on the:

- number of children placed out-of-state
- Reasons for the out-of-state placement
- Costs of the out-of-state placements
- Other factors requiring the child to be place out-of-state

The report for FY 2010 found that 100 children were served in out-of-state psychiatric residential treatment facilities (PRTF) or therapeutic group homes (TGH). The division paid $2.6 million for 62 youth in out-of-state PRFT in FY 2010 and $0.8 million for 34 youths in TGH. The report listed the following efforts by DSD to control or reduce out-of-state placements including:

- Requiring surveys of providers to assist the division in making appropriate referrals
- Not enrolling new providers unless there is a youth with a specific need that cannot be met by currently enrolled providers
- Requiring discharge plan reviews within 30 days of admission
- Opening 2 new PRTF waiver sites in Helena and Great Falls
- Involving CMHB and the utilization management contractor in referral to out-of-state placements to ensure in-state placement is not an alternative
- Reducing the length of stay through use of utilization management contractor
- Increasing capacity for wraparound facilitation in community settings through training and coaching education

The full report can be found at:
http://leg.mt.gov/content/Committees/Interim/2009_2010/Children_Family/Meeting_Documents/August%202010/dphhs sb399-report.pdf

DSD received an additional $3.6 million in federal funds in FY 2011 to supplement the original PRTF waiver granted to the division to assist in opening up sites in Helena and Great Falls. This brings total funding for the grant to $6.2 million. Through the grant the Children's Mental Health Bureau (CMHB) is making concerted efforts to reduce the number of children with mental health needs served in residential treatment facilities.

HB 243

The 61st Legislature also passed HB 243, a bill requiring a report on the children's system of care for children with a mental illness. A system of care is a coordinated network of community-based services and supports that are organized to meet the challenges of children and youth with serious mental health needs and their families. Families and youth work in partnership with public and private organizations to design effective mental health services and supports. The report was to outline progress, costs, and analysis of the effectiveness of the system and barriers to further development. The recommendations in the report include:

- Ensuring that the principals of parent and youth involvement and empowerment remain central tenets of the Montana system of care for families and youth
- Continuing to convene the System of Care Planning Committee and the System of Care Statutory Planning Committee
- Expanding the PRTF Waiver Program
- Exploring methods to address the funding issues for children served by multiple agencies, such as combining various funding sources from the agencies involved with the child

The full report can be found at:
http://leg.mt.gov/content/Committees/Interim/2009_2010/Children_Family/Meeting_Documents/August%202010/dphhs-hb243-report.pdf

The community-based services provided by CMHB are included as part of the system of care for children with mental illnesses. The Human Services Joint Appropriations Subcommittee may wish to discuss methods to combine the funding available for children with mental illnesses as recommended in the report. For example, the majority of costs for youth eligible under the federal CHIP grant are budgeted in the Health Resources Division, some of the costs for providing services to foster care children are budgeted in CMHB and some are included in the Children and Family Services budget, services for children served in the schools are included in the Office of Public Instruction budget, and youth involved with law enforcement have services that are also budgeted in the Department of Corrections.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	14,223,205	14,223,205	28,446,410	58.46%	66,288,098	66,288,098	132,576,196	87.60%
Statewide PL Adjustments	6,527,274	6,526,659	13,053,933	26.83%	60,897	58,994	119,891	0.08%
Other PL Adjustments	3,246,987	3,911,895	7,158,882	14.71%	8,822,730	9,832,202	18,654,932	12.33%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	**$23,997,466**	**$24,661,759**	**$48,659,225**		**$75,171,725**	**$76,179,294**	**$151,351,019**	

About $6.5 million annually included in the general fund reflects the end of the increased federal FMAP provided through the federal stimulus package in the 2011 biennium. For additional detail see the Agency Overview section of this narrative.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012 FTE	Fiscal 2012 General Fund	Fiscal 2012 State Special	Fiscal 2012 Federal Special	Fiscal 2012 Total Funds	Fiscal 2013 FTE	Fiscal 2013 General Fund	Fiscal 2013 State Special	Fiscal 2013 Federal Special	Fiscal 2013 Total Funds
Personal Services					105,833					103,685
Vacancy Savings					(44,915)					(44,830)
Inflation/Deflation					(515)					(508)
Fixed Costs					494					647
Total Statewide Present Law Adjustments		**$6,527,274**	**$0**	**($6,466,377)**	**$60,897**		**$6,526,659**	**$0**	**($6,467,665)**	**$58,994**
DP 10001 - FMAP Adj - DD & CMH	0.00	263,857	0	(263,857)	0	0.00	543,113	0	(543,113)	0
DP 10002 - Med Ben - CMH Caseload	0.00	2,982,619	0	5,839,089	8,821,708	0.00	3,367,926	0	6,462,564	9,830,490
DP 10007 - Non DofA rent adjustment	0.00	511	0	511	1,022	0.00	856	0	856	1,712
Total Other Present Law Adjustments	**0.00**	**$3,246,987**	**$0**	**$5,575,743**	**$8,822,730**	**0.00**	**$3,911,895**	**$0**	**$5,920,307**	**$9,832,202**
Grand Total All Present Law Adjustments	**0.00**	**$9,774,261**	**$0**	**($890,634)**	**$8,883,627**	**0.00**	**$10,438,554**	**$0**	**($547,358)**	**$9,891,196**

DP 10001 - FMAP Adj - DD & CMH - The executive requests support to provide an increase in general fund and a decrease in federal Medicaid funds over the biennium due to a projected change in Federal Medical Assistance Percentage (FMAP) rates for FY 2012 and FY 2013 as they apply to the Children's Mental Health Program benefit expenditures.

The projected calculation of the FMAP rate for SFY 2012 is 33.81 percent and 34.26 percent for FY 2013, as compared to the adjusted base FMAP of 33.30 percent. This funding switch is necessary to maintain current level activities.

DP 10002 - Med Ben - CMH Caseload - The Governor requests general fund and federal Medicaid funds to support projected caseload increases for children receiving mental health services. The funding request is for $6.4 million general fund and $18.7 million total funds over the 2013 biennium.

LFD COMMENT DSD proposed new rules affecting therapeutic group homes in November 2010 for adoption in December 2010. Included in the changes was a provision for a new service called an Extraordinary Needs Aide (ENA) and stricter criteria for prior authorization of group community-based psychiatric rehabilitation and support (CBPRS) services, including limiting the number of hours billed per day, group size, and the youth-to-staff ratio. The fiscal impact of the rule change for ENA comes from lowering the one-to-one staffing reimbursement from the higher CBPRS services. The fiscal impact of the rule changes is included in the caseload estimates as DSD does not believe the change will result in increases or decreases in the costs for mental health services overall.

DP 10007 - Non DofA rent adjustment - The executive requests funds for rent increases for offices in non-state-owned buildings. The increases are negotiated in the lease agreements for field offices across the state.

Sub-Program Details

MT DEVELOPMENTAL CENTER 02

Sub-Program Proposed Budget

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	266.35	0.00	(8.71)	257.64	0.00	(13.00)	253.35	253.35
Personal Services	12,280,677	1,111,271	(341,765)	13,050,183	1,123,280	(611,898)	12,792,059	25,842,242
Operating Expenses	2,851,119	(149,737)	(21,147)	2,680,235	(144,743)	(31,406)	2,674,970	5,355,205
Total Costs	**$15,131,796**	**$961,534**	**($362,912)**	**$15,730,418**	**$978,537**	**($643,304)**	**$15,467,029**	**$31,197,447**
General Fund	15,120,220	961,534	(362,912)	15,718,842	978,537	(643,304)	15,455,453	31,174,295
State/Other Special	11,576	0	0	11,576	0	0	11,576	23,152
Total Funds	**$15,131,796**	**$961,534**	**($362,912)**	**$15,730,418**	**$978,537**	**($643,304)**	**$15,467,029**	**$31,197,447**

Sub-Program Description

The mission of the Montana Developmental Center (MDC) is to improve, preserve, strengthen, and protect the health, well-being, and self-reliance of all individuals served, in an environment that respects and develops those individuals charged with providing services. MDC's program is directed toward preparing clients for discharge to an appropriate program in a community setting. All persons are recognized as having the capability to grow and develop throughout their lifetime. All individual clients are ensured the right to be treated with dignity and respect and are provided the opportunity to realize their potential.

MDC, located in Boulder, provides a healthy, safe, therapeutic environment to assist individuals with developmental disabilities prepare for community living. MDC also provides a safety net for those individuals who pose a danger to themselves or others. MDC is licensed by Medicaid as an ICF/MR (Intermediate Care Facility for Mental Retardation) and by the State of Montana as an ICF/DD (Intermediate Care Facility for Developmental Disabilities) and currently serves 66 individuals.

Individuals arrive at MDC by civil or court commitment, or by court referral for a short term evaluation of their fitness to proceed in criminal cases. Civil commitments are for no longer than one year. In criminal cases, if an individual is capable to stand trial and found guilty, but placement in the correction system is determined inappropriate, the individual can be committed to MDC as a criminal to serve a criminal sentence. The state must take an individual for an emergency civil commitment or for a criminal sentence.

Sub-Program Narrative

The figure on the following page shows the population and related costs for FY 2008, FY 2010, and those projected for the 2013 biennium.

Changes in Populations, Staffing, and Treatment

Over approximately the past five years MDC has gone through significant changes in the population served at the facility. New admissions are committed or criminally sentenced to the facility for being a danger to self or others and generally are diagnosed with mild retardation or borderline IQ. Recent admissions have included individuals convicted of sexual assault, assault, and/or self injury. Two individuals have committed homicides. Almost 85% of the individuals at MDC also have a dual diagnosis of mental illness and several have significant substance abuse problems.

As a result of the rapid change in the type of individuals served at MDC, the treatment program is changing to meet the current needs of the individuals who reside there. More intensive staffing for both safety and treatment and staff with specialized skills (e.g. clinical psychologists) are needed to serve individuals who have the multi-diagnoses now being seen.

The population of individuals at MDC also includes an increasing proportion of individuals who have been referred for community placement. If the client's civil commitment is ended and not renewed, and the client is appropriate to live in a community setting, they are referred to providers in Montana communities. Moving individuals out of the facility into community placements and ensuring those with mental illness receive treatment requires different services and treatments than those provided to long-term residents who previously were served at MDC.

As a result of the changes in the population served by MDC, the types of services provided and the duration of those services have also changed. According to division staff, MDC is working toward high-intensity short-term treatments for dually diagnosed individuals as an alternative to long term residential stays.

Montana Developmental Center Expenditures

	Actual FY2008	Actual FY2010	Requested FY2012	Requested FY2013
FTE	268.80	266.35	257.64	253.35
Personal Services	$12,329,954	$12,280,667	$13,050,183	$12,792,059
All other	2,913,672	2,851,119	2,680,235	2,674,970
Total	$15,243,626	$15,131,786	$15,730,418	$15,467,029
General Fund	$15,189,807	$15,120,220	$16,545,552	$16,621,723
State Special Rev.	53,819	11,576	53,719	53,723
Federal Special	0	0	0	0
Total	$15,243,626	$15,131,796	$16,599,271	$16,675,446
Population	63	63	64	64
Cost Per Person	$241,962	$240,187	$259,364	$260,554
Cost Per Day	$663	$658	$711	$714
Annual Change		-0.73%	7.98%	0.46%
Federal Reimbursements*	8,952,602	9,080,434	9,080,434	9,080,434

* Includes debt service repayments of $1,013,533 and $1,014,218 in FY2012 and FY2013 respectively.

Types of Populations

The average daily population at MDC in FY 2010 was 63. The maximum daily population in the six residences is 56 clients. In addition to six residencies, MDC operates the Assessment and Stabilization Unit (ASU) with a maximum daily population of 12. The ASU is a locked and enclosed facility that houses individuals who are unlikely to be candidates for community inclusion because of the significant safety issues associated with their care, including protecting both the client and the caretakers. Residents have been deemed a danger to themselves or others. The remaining MDC population includes individuals who may be civilly committed to MDC because they have engaged in a criminal behavior but have been determined to be incompetent to be prosecuted because they cannot understand the criminality of their actions. Others have been determined to be capable of understanding the criminal nature of their acts but are in need of treatment and are criminally sentenced. Many clients presently at MDC require a 2:1 staff ratio in part because of the clients need to be separated while on recreational trips or for class room activities due to aggressive outbreaks.

Actual Expenditures and Proposed Executive Budget

The figure above shows actual FY 2008 and FY 2010 expenditures and the executive's proposed budget for the 2013 biennium. The increasing costs for MDC shown the figure reflect the more difficult population mix and the changes in staffing required to work with the clients. The reduced FTE numbers in FY 2012 and FY 2013 are due to the executive's new proposal to move 12 individuals from MDC into the community and reduce the associated number of staff at MDC.

The bottom line in the figure shows the federal Medicaid reimbursement amounts that MDC receives for Medicaid eligible clients. Any reimbursement amounts are deposited into the state's general fund. The reimbursement amounts in the figure do not reflect the reduction to Medicaid reimbursements that would result if DSD move individuals out of cottage six as discussed in the program narrative.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	15,120,220	15,120,220	30,240,440	97.00%	15,131,796	15,131,796	30,263,592	97.01%
Statewide PL Adjustments	126,499	137,946	264,445	0.85%	126,499	137,946	264,445	0.85%
Other PL Adjustments	835,035	840,591	1,675,626	5.38%	835,035	840,591	1,675,626	5.37%
New Proposals	(362,912)	(643,304)	(1,006,216)	(3.23%)	(362,912)	(643,304)	(1,006,216)	(3.23%)
Total Budget	**$15,718,842**	**$15,455,453**	**$31,174,295**		**$15,730,418**	**$15,467,029**	**$31,197,447**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					702,984					709,70
Vacancy Savings					(519,344)					(519,61
Inflation/Deflation					(56,233)					(48,65
Fixed Costs					(908)					(3,49
Total Statewide Present Law Adjustments		**$126,499**	**$0**	**$0**	**$126,499**		**$137,946**	**$0**	**$0**	**$137,94**
DP 10006 - Restore OT/Holidays Worked	0.00	927,631	0	0	927,631	0.00	933,187	0	0	933,18
DP 55140 - 17-7-140 reductions - Operations Efficiency	0.00	(92,596)	0	0	(92,596)	0.00	(92,596)	0	0	(92,59
Total Other Present Law Adjustments	**0.00**	**$835,035**	**$0**	**$0**	**$835,035**	**0.00**	**$840,591**	**$0**	**$0**	**$840,59**
Grand Total All Present Law Adjustments	**0.00**	**$961,534**	**$0**	**$0**	**$961,534**	**0.00**	**$978,537**	**$0**	**$0**	**$978,53**

<u>DP 10006 - Restore OT/Holidays Worked -</u> The Governor requests $1.9 million general fund over the biennium to restore zero-based personal services funding. The request maintains minimum Montana Developmental Center staffing requirements at this 24-hour day, 7-days-a-week facility and to maintain Medicaid certification. The components of the request include:

- $273,973 in FY 2012 and $275,614 in FY 2013 for overtime
- $94,773 in FY 2012 and $95,341 in FY 2013 for differential pay to meet required union contracts when an employee performs duties outside of and above his/her regular job classification. Non-union employees also receive higher pay under agreed upon conditions on a temporary basis when assigned
- $382,800 in FY 2012 and $385,093 in FY 2013 to cover holidays and holidays worked
- $176,087 in FY 2012 and $177,142 in FY 2013 to adjust for the standard payroll benefits

<u>DP 55140 - 17-7-140 reductions - Operations Efficiency -</u> The Governor made reductions to agencies' 2011 biennium general fund budgets in accordance with 17-7-140, MCA. A portion of the reductions was effective in FY 2011 and therefore is not reflected in the base. This reduction is to continue the original reduction in the 2013 biennium. DDP will make operations reductions through efficiencies in the areas of travel, conferences, supplies, newspaper ads, cell phone use, postage, and contracting.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor.

New Proposals	Fiscal 2012					Fiscal 2013				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55410 - 4% GF - MDC Reconfiguration										
02	(8.71)	(362,912)	0	0	(362,912)	(13.00)	(643,304)	0	0	(643,304)
Total	(8.71)	($362,912)	$0	$0	($362,912)	(13.00)	($643,304)	$0	$0	($643,304)

DP 55410 - 4% GF - MDC Reconfiguration - The executive included this decision package as part of the department's 4% general fund personal services reduction. This request is for an increase of $0.7 million general fund over the 2013 biennium to reconfigure the operations of MDC and move 12 residents of MDC into community-based services. Included in the MDC budget is a request for a general fund reduction for staffing reductions associated with a reduction to the number of licensed beds serving the 12 clients.

LFD COMMENT For a further discussion see the program narrative.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: A few residents remain at MDC who are diagnosed with a moderate or severe mental retardation, are older and have resided at the facility for many years, require supervision for daily self care activities, and do not have a mental health diagnosis. All of these individuals have been referred for community placement. Due to the lower level of functioning and vulnerability of these individuals, mixing this population with the new commitments described below puts these remaining individuals at risk for serious harm. This proposal provides funding for the personal support plans to serve the individuals in the community.

Goals: The goal of the reconfiguration will be to place individuals into the community and reduce the census by 12 individuals on the ICF/MR portion of the facility. The licensed capacity of MDC will be reduced to 56 individuals (44 beds in the ICF/MR portion of the facility and 12 beds in the ICF/DD portion of the facility).

Performance Criteria: Successfully place all 12 individuals out of MDC by December 31, 2011.

Milestones: Following passage by the 2011 Legislature, DDP would begin the process of placement from MDC. Activities toward that goal would include:

- 5/1/2011- Send notice to providers for requests to serve the 12 individuals
- 7/1/2011-Begin placements of the 12 individuals
- 12/31/2011- Place all 12 individuals in community placements

FTE The proposal will reduce 13 FTE at MDC.

Funding Source: The request is $0.7 million general fund and $1.3 million federal Medicaid funds over the 2013 biennium.

Obstacles: The biggest potential obstacle to the success of the MDC reconfiguration will be whether community providers will submit proposals to serve the 12 individuals in one location.

Risk: If placement in the community is delayed or does not happen, several of the individuals we are asking to move to the community are at risk of harm, because of the characteristics of the other clients at MDC. DPHHS and Montana also face the risk of legal action based on previous "Olmstead" court decisions. These Olmstead decisions center on treating people in the least restrictive setting. Community settings have been found to be less restrictive than facilities. Other states have been given some leeway when clients, who are ready for discharge, are moved from a state facility to a community setting at a reasonable pace.

ub-Program Details

EVELOPMENTAL DISABILITIES PROGRAM 04

ub-Program Proposed Budget
he following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source f funding.

ıb-Program Proposed Budget udget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
ΓE	84.08	0.00	0.00	84.08	0.00	0.00	84.08	84.08
ersonal Services	4,513,803	220,803	0	4,734,606	224,909	0	4,738,712	9,473,318
perating Expenses	1,353,956	18,251	0	1,372,207	27,117	0	1,381,073	2,753,280
enefits & Claims	92,519,025	9,604,312	1,854,314	103,977,651	10,081,538	3,162,464	105,763,027	209,740,678
Total Costs	**$98,386,784**	**$9,843,366**	**$1,854,314**	**$110,084,464**	**$10,333,564**	**$3,162,464**	**$111,882,812**	**$221,967,276**
eneral Fund	23,870,945	12,309,080	(1,390,751)	34,789,274	12,905,709	(933,678)	35,842,976	70,632,250
ate/Other Special	3,542,130	0	0	3,542,130	0	0	3,542,130	7,084,260
ederal Special	70,973,709	(2,465,714)	3,245,065	71,753,060	(2,572,145)	4,096,142	72,497,706	144,250,766
Total Funds	**$98,386,784**	**$9,843,366**	**$1,854,314**	**$110,084,464**	**$10,333,564**	**$3,162,464**	**$111,882,812**	**$221,967,276**

ub-Program Description
he mission of the Developmental Disabilities Program (DDP) is to support choices and opportunities for people with evelopmental disabilities in their communities. To accomplish this mission, DDP employs a person-centered planning pproach.

DP is organized into a central office and five regional offices with four satellite offices. The central office provides atewide management and supervision, program fiscal operations and budgeting, policy direction, quality assurance, rovider payment processing, and federal reporting functions. The offices across the state oversee 60 service provider gencies that provide services to over 4,500 individuals with developmental disabilities. The regional staff performs illing and invoicing, quality assurance monitoring, and case management functions.

evelopmental disabilities include mental retardation, cerebral palsy, epilepsy, and autism. The disabilities place gnificant obstacles for individuals afflicted to overcome or adapt to if they are to be successful in living in a community etting.

ub-Program Narrative
he request for $209.7 million in benefits and claims over the 2013 biennium is primarily delivered through contracted roviders throughout the state. As discussed in the program narrative, DDP provides services under three federal aivers. The federal waivers allow DSD to deliver Medicaid services to developmentally disabled individuals more cost fectively than having the individuals reside at MDC.

udgetary Risk
he executive is requesting $5.3 million general fund for caseload adjustments and $1.4 million in general fund for nualization of service costs over the 2013 biennium. Unlike CMHB, all but $0.5 million of the services included in the aseload adjustments are provided under a Medicaid waiver and are not an entitlement. Waiver services can be:

- Delivered more cost effectively than institutionalization
- Limited by legislative appropriations

ith the services limited to appropriations provided, the legislature does not have a significant risk that the funding is ver or under appropriated.

LFD COMMENT

The executive proposes $15.7 million in additional funding to support caseload increases for Medicaid developmental disability services provided in the Developmental Disabilities Program. $5.3 million of the proposed increases is general fund.

Medicaid caseload adjustments over the 2013 biennium include:

- $0.5 million for targeted case management services, a Medicaid entitlement service
- $14.8 million for comprehensive waiver services
- $0.2 million for community supports waiver services
- $0.1 million for autism waiver services

The total cost of services and the percentage increase as proposed by the executive is provided below:

- FY 2010 $98.9 million – includes $6.4 million excluded in the adjusted FY 2010 base, including $0.6 million for the autism group home and $5.7 million for the DSD portion of the $22.0 million in structural balance one-time-only funding (for a further discussion, please see the agency summary)
- FY 2011 $102.3 million, represents a 3.4% growth
- FY 2012 103.1 million, represents a 0.8% growth
- FY 2013 $104.5 million, represents a 1.3% growth

The figure below shows the FY 2010 adjusted base, the increases included in the caseload adjustments, annualization and new proposals to arrive at the total proposed costs for the 2013 biennium.

Disability Services Division
Caseload Adjustments, Annualization and New Proposals

Base and Adjustments to Costs	FY 2012	FY 2013
FY 2010 Adjusted Base	$92,519,025	$92,519,025
Adjustments Included for Caseload		
Adjustment to get to FY 2010 Costs	5,748,097	5,748,097
FY 2011 Utilization	1,391,100	1,391,100
FY 2012 Utilization	452,170	452,170
FY 2013 Utilization	0	477,226
Subtotal Caseload Adjustments	7,591,367	8,068,593
Adjustments for Annualization		
FY 2011 Service Expansion	1,175,137	1,175,137
Subtotal Annualization	1,175,137	1,175,137
Adjustments for New Proposals		
Autism Waiver	837,808	837,808
Restore Autism Group Home	642,338	642,338
MDC Transition to Waiver	370,097	1,257,126
Subtotal for New Proposals	1,850,243	2,737,272
Total Costs	$103,135,772	$104,500,027

The increases for caseload adjustments are calculated starting with the FY 2010 adjusted base, which reflects the exclusions discussed above. DSD restores the $5.7 million in service costs for FY 2010. DSD then calculates utilization increases for specific services such as transportation, group living, or group work or day programs, or individualized living. The changes to these components are estimated to increase costs by a total of $5.5 million over the 2013 biennium.

Unlike other programs in Medicaid, individuals under the Medicaid waivers for developmental disabilities services are provided services over their lifetime. The annual cost of providing services to the individuals is determined using a personal support plan (plan). The plan identifies the support and services that are necessary for the client to function independently in the community. The adjustments for caseload reflect the estimated costs for the plans of the 4,500 individuals served in the program, not additional individuals served in the waivers

ne consideration for assessing budget risk associated in the DDS udget is the extensive waiting list for waiver services in DDP. ecause of the need to provide services for developmentally isabled individuals over their lifetime, service slots for these ervices do not open up often. Individuals on the waiting list may ot receive services or may be under served. The figure shows the aiting list of individuals requesting community-based services for evelopmental disabilities. Neither the request for additional ipport for caseloads nor the annualization of service plans ovides funding to move any of the 1,028 individuals on the aiting list into community services. The legislature has provided lditional funding to address the waiting list in past biennia - $3.0 illion in the 2011 biennium and $3.2 million in FY 2009. In past years DSD has used a portion of the waiting list inding to provide services to individuals whose conditions or circumstances deteriorated to the point that they were at sk of placement at MDC, a more costly alternative than community-based services.

Disability Services Division
Waiting List for DDP Services
As of October 31, 2010

Region	Ages 0 - 21	Ages 22 and Older	Total
1	43	42	85
2	50	59	109
3	78	144	222
4	116	159	275
5	111	209	320
6 - MDC	0	17	17
Total	398	630	1028

eduction of the waiting list is on-going and occasionally complicated by the need to serve children aging out of foster ire services or intensive Medicaid waiver services that must be placed into community services. The division, by law, iust place the individuals and does not have an option to move them to the 'end of the waiting list.'

ervices

he division provides services under three waivers. The division also provides early intervention services, targeted case ianagement, administration, and a limited amount of developmental disability benefits to children who do not qualify ir Medicaid. The figure on the following page shows the budget requests by service category for the 2013 biennium.

2013 Biennium Executive Budget Request - DDP Services								
	FY 2012				FY 2013			
Services and Proposed Changes	General Fund	State Special	Federal Special	Total	General Fund	State Special	Federal Special	Total
Administration								
Base Expenditures	$2,143,830	$0	$3,155,982	$5,299,812	$2,143,830		$3,155,982	$5,299,812
Statewide Present Law Adjustments	73,022	0	154,908	227,930	75,503	0	156,875	232,378
DP 10007 Non DofA Rent Adjustment	965	0	2,429	3,394	2,507	0	6,315	8,822
DP 10009 FMAP Adj DD Operating Costs	165,013		(165,013)	0	168,077	0	(168,077)	0
DP 55140 17-7-140 Reductions	(5,988)	0	0	(5,988)	(5,988)	0	0	(5,988)
Subtotal Administration	$2,376,842	$0	$3,148,306	$5,525,148	$2,383,929	$0	$3,151,095	$5,535,024
Targeted Case Management								
Base Expenditures	$1,375,023	$0	$3,120,402	$4,495,425	$1,375,023	$0	$3,120,402	$4,495,425
Statewide Present Law Adjustments	66,394	0	(52,987)	13,407	66,473	0	(52,879)	13,594
DP 10001 FMAP ADJ DD & CMH	230,861	0	(230,861)	0	244,325	0	(244,325)	0
DP 10003 DD Caseload	81,717	0	160,193	241,910	89,824	0	172,359	262,183
DP 10007 Non DofA Rent Adjustment	539	0	1,357	1,896	1,401	0	3,527	4,928
DP 55410 4% GF MDC Reconfiguration	6,080	0	11,920	18,000	6,167	0	11,833	18,000
Subtotal Targeted Case Management Admin	$1,760,614	$0	$3,010,024	$4,770,638	$1,783,213	$0	$3,010,917	$4,794,130
Medicaid Comprehensive Waiver Services								
Base Expenditures	$13,638,037	$2,942,130	$56,806,255	$73,386,422	$13,638,037	$2,942,130	$56,806,255	$73,386,422
Statewide Present Law Adjustments	8,050,233	0	(8,050,233)	0	8,050,233	0	(8,050,233)	0
DP 10001 FMAP ADJ DD & CMH	159,533	0	(159,533)	0	511,788	0	(511,788)	0
DP 10003 DD Caseload	2,434,621	0	4,772,663	7,207,284	2,611,591	0	5,011,266	7,622,857
DP 10008 Med Ben Annualization of Service Expansion	396,961	0	778,176	1,175,137	402,602	0	772,535	1,175,137
DP 10010 Reduction to DSD Base	(924,237)	0	0	(924,237)	(924,237)	0	0	(924,237)
DP 10011 Re-establish Comprehensive Waiver Base	924,237	0	0	924,237	924,237	0	0	924,237
DP 10103 Med Ben - Restore Autism Group Home	216,982	0	425,356	642,338	220,065	0	422,273	642,338
DP 10104 Med Ben MDC Transition to Waiver	125,019	0	245,078	370,097	430,691	0	826,435	1,257,126
DP 10107 Med Ben DD Refinancing	1,028,978	0	2,017,138	3,046,116	1,051,219	0	2,017,138	3,068,357
DP 55410 4% GF MDC Reconfiguration	278,306	0	545,573	823,879	426,537	0	818,463	1,245,000
Subtotal Medicaid Comprehensive Waiver Services	$26,328,670	$2,942,130	$57,380,473	$86,651,273	$27,342,763	$2,942,130	$58,112,344	$88,397,237
Medicaid Community Supports Waiver								
Base Expenditures	$328,561	$0	$1,178,642	$1,507,203	$328,561	$0	$1,178,642	$1,507,203
Statewide Present Law Adjustments	161,571	0	(161,571)	0	161,571	0	(161,571)	0
DP 10001 FMAP ADJ DD & CMH	19,001	0	(19,001)	0	26,236	0	(26,236)	0
DP 10003 DD Caseload	33,791	0	66,241	100,032	40,626	0	77,955	118,581
Subtotal Medicaid Community Supports Waiver	$542,924	$0	$1,064,311	$1,607,235	$556,994	$0	$1,068,790	$1,625,784
Medicaid Autism Waiver								
Base Expenditures	$268,485	$0	$951,982	$1,220,467	$268,485	$0	$951,982	$1,220,467
Statewide Present Law Adjustments	128,571	0	(128,571)	0	128,571	0	(128,571)	0
DP 10001 FMAP ADJ DD & CMH	15,218	0	(15,218)	0	21,076	0	(21,076)	0
DP 10003 DD Caseload	14,235	0	27,905	42,140	22,259	0	42,712	64,971
DP 10008 Med Ben Annualization of Service Expansion	283,012	0	554,797	837,809	287,034	0	550,775	837,809
Subtotal Medicaid Autism Waiver	$709,521	$0	$1,390,895	$2,100,416	$727,425	$0	$1,395,822	$2,123,247
DD Benefits								
Base Expenditures	$3,972,912	$0	$3,938,287	$7,911,199	$3,972,912	$0	$3,938,287	$7,911,199
Statewide Present Law Adjustments	0	0	0	0	0	0	0	0
DP 10107 Med Ben DD Refinancing	(3,046,116)	0	0	(3,046,116)	(3,068,357)	0	0	(3,068,357)
Subtotal DD Benefits	$926,796	$0	$3,938,287	$4,865,083	$904,555	$0	$3,938,287	$4,842,842
Early Intervention, IDEA Part C								
Base Expenditures	$2,144,097	$600,000	$1,822,159	$4,566,256	$2,144,097	$600,000	$1,822,159	$4,566,256
Statewide Present Law Adjustments	(190)	0	(1,395)	(1,585)	0	0	(1,708)	(1,708)
Subtotal Early Intervention	$2,143,907	$600,000	$1,820,764	$4,564,671	$2,144,097	$600,000	$1,820,451	$4,564,548
Grand Total	$34,789,274	$3,542,130	$71,753,060	$110,084,464	$35,842,976	$3,542,130	$72,497,706	$111,882,812

Approximately 78.9% of the DDP budget supports Medicaid comprehensive waiver services for developmentally disabled individuals living in communities around Montana. Caseload and annualization of service plan costs total $5.8 million of the general fund request for the budget. As stated earlier, included in the Governor's request for funding is a proposal to reconfigure cottage six at the Montana Developmental Center and move the 12 individuals into community placement. The request uses a portion of the general fund savings resulting from the closure to support the community services for the 12 individuals moving out of the cottage. This is discussed further under new proposals.

LFD ISSUE

Goals and Performance Measurements Would Aid in Decisions on Funding the Development Disability Program (DDP)

The legislative policy decision to serve developmentally disabled individuals in Montana communities has een included as part of the appropriations decisions for a number of biennia. The legislature has provided the ollowing:

- Legislative initiatives to increase funding for provider rates and direct care worker wage increases in the 2009 and 2011 biennia
- Legislative approval of a division rate rebasing project for disability services providers in Montana communities begun in the 2007 biennium and continued through the 2011 biennium
- Funding efforts to move more individuals off of the waiting list for community services included in the 2009 and 2011 biennia

ne of the goals for this program selected by the division and approved by the 2009 Legislature was to improve the ifrastructure of the division's community based providers and to improve and strengthen services and protect idividuals served at MDC. Due to continuing legislative interest in maintaining an effective system of community ased services for developmentally disabled individuals and the need to reduce the number of individuals served in IDC, the legislature recommended in the Human Services Joint Appropriations Subcommittee (subcommittee) that the ivision track and report on community services to the LFC. DDP contracts with private corporations to provide omprehensive services to individuals of all ages with developmental disabilities in local communities. A number of idividuals served in MDC qualify for community placement but cannot currently be served in the community as service ots are filled. The agency did not provide these performance measurements.

ı April 2010 the division was asked by the human services performance measurement workgroup of the LFC to prepare report on its progress on the performance criteria and milestones adopted by the workgroup for discussion at the eeting in June 2010. The issues and comments in the report adopted by the workgroup were as follows:

While the number of individuals and services have remained unchanged, this information does not aid legislative understanding of progress made toward addressing the legislative concerns during the interim. LFD staff requested updates relative to the milestones including: 1) What is being done toward moving MDC clients into the community? 2) What is the number of participants that moved into the community? 3) How is the division helping providers prepare to serve individuals from MDC? 4) How many individuals released to the community setting from MDC in FY 2009 returned to MDC in FY 2010? 5) What are the general reasons they returned? 6) What are the division's plans to increase community capacity?

he LFC workgroup requested that the division report to the subcommittee on the information requested above. The FC also recommends the subcommittee discuss goals and performance measurements the legislature can use to assess ogress in the 2013 biennium as it related to community based services for the developmentally disabled.

ne executive biennial budget request for community based services is $175.0 million over the 2013 biennium. The vision submitted the following as measurements for DDP with its budget request:

- The infrastructure of community based providers is continuously improved
- Services are provided to new individuals on the developmental disabilities waiting list, including those who are transitioning from school to adult life, as funding permits.

LFD ISSUE CONT.

The division's submission of goals and measurements does not provide the legislature with sufficient information to assess the need for the level of funding requested. Specifics on the anticipated infrastructural improvements for community base providers, associated costs of the improvements, how the changes will improve services to clients, and the number of individuals it anticipates serving can be used to ascertain the need for $166.0 million in funding. Information on the waiting list, the number of individuals the division anticipates will be transitioning from school to adult life over the biennium, the geographic location of the individuals on the waiting list, the length of time on the waiting list, and the number returning from out of state may also assist the legislature in determining the adequacy of the executive budget request prior to approving the base funding level requested by the executive.

Option: The LFC recommends the legislature discuss both goals and performance measurements for DDP as part of its decisions on the executive's budget requests for this program.

4.4% of the budget supports DD Benefits, which provides support for non-Medicaid children on the waiting list for waiver services and their families. Many of the children were served under the Early Intervention, IDEA Part C Program until they aged out of the program and many of the children served are autistic. Federal support for this part of the budget is provided by the Social Security Block Grant, Title XX. The funding is at the FY 2010 base level with the executive recommending no changes to the budget.

The Early Intervention, IDEA Part C Program is 4.1% of the DDP budget and serves children from birth to age 3 who are identified as developmentally disabled. Federal funding supporting the program comes from the Individuals with Disabilities Education Act (IDEA), Part C requiring state dollars for matching funds. The funding for this budget is decreased slightly due to adjustments included in statewide present law adjustments but otherwise remains at the FY 2010 base level.

The Medicaid autism waiver provides young children with autism intensive services and works to train families in skills and therapies that can mitigate the effects of the illness. The waiver serves 50 children under the age of 5 for 3 years. The budget for the Medicaid autism waiver is 1.9% of the DDP budget, with the executive's requests for minor adjustments for caseload and $0.5 million in general fund for annualization of service plans.

LFD ISSUE

Goals and Performance Measurements Would Aid in Decisions on Funding the Autism Waiver Demonstration Program

In the 2007 session and the following interim, the division and the legislature acknowledged the nation-wide need to seek new methods to serve individuals with autism. Prior to the 2009 Legislative Session, the division identified a source of funding authority in a surplus in Medicaid caseload funding and moved toward delivery of services for children with autism and their families The Governor's office approved the use of the funds for this purpose. Its intention was also included in the DPHHS update to the Children, Family, Health, and Human Services interim committee but continued funding of the new services were not considered until the 2009 Legislative Session.

The 2009 Legislature considered and approved legislation dealing with autism in a number of bills including:

- A demonstration waiver project to serve 50 children under the age of 5 with intensive services designed to mitigate the effects of the disease, funded with a total of $305,732 in HB 2
- An autism group home in Bozeman to serve autistic teenagers and young adults supported by a restricted biennial, one-time-only general fund appropriation of $400,000 to use for state match of federal funds, also included in HB 2
- SB 234, which required insurance coverage for autism spectrum disorders

LFD ISSUE CONT.

The legislature also recommended that the division track and report on the Medicaid waiver on autism. The autism waiver is a new federal Medicaid demonstration waiver that provides intensive early intervention services to 50 children identified as autistic. To be eligible for the waiver a child must be:

- Diagnosed with autism spectrum disorder
- Under the age of 5

: should be noted that parental income and assets are not used to determine a child's eligibility for services. The goal of ne service is to reduce the impact of autism, including impairments in social interaction, behavior, and communication.

'he division was asked by the LFC performance measurement workgroup for goals and performance measurements for ne waiver. The agency did not provide this information. In April 2010 the division was asked by the LFC performance neasurement workgroup of the LFC to prepare a report on its progress on the performance criteria and milestones dopted by the workgroup, for discussion at the meeting in June 2010. The issues and comments in the report adopted y the workgroup were as follows:

There are currently 50 children on the waiver and 56 on the waiting list based on the last number staff received. During the past session, the division explained that: 1) This was a demonstration waiver with a focus on early intervention; 2) it would initially serve children diagnosed with autism who at least15 months through age 4 when enrolled; 3)enrollment is limited to a 3-year period at an average cost of $43,000 per year per child; and 4) services include 20-25 hours per week of intensive in-home training by a children's autism trainer, respite, waiver-funded children's case management, adaptive equipment/environmental modification, occupational therapy, physical therapy, speech therapy, transportation, individual goods and services, and program design and monitoring for children.

At this stage of the waiver, DSD is receiving positive anecdotal information.

'he workgroup requested that the division report to the Human Services Joint Appropriations Subcommittee addressing:) the DSD accountability study to follow the success of the early intervention efforts; 2) families that exit the project nd why; 3) the number of children in the waiver and the size of the waiting list; and 4) the potential impact of the Aontana Autism Insurance Program and the federal insurance program on the waiver.

ncluded in the executive budget is a request for $4.2 million over the 2013 biennium for autism waiver services. The najority of the funding is included in the FY 2010 base. To assess the need for this funding it is necessary to ascertain 'hat specific improvements the division is anticipating in the population served by the waiver and how the division roposes to measure effectiveness of the waiver. An example of performance measurements for the 2013 biennium night include a percentage increase of the children's functioning as measured by standardized assessments. leasurements such as this would allow the legislature to assess the benefit of the autism waiver program, the need for ontinued or additional funding in future biennia, or changes to the program that may need to be addressed if progress is ot achieved as anticipated.

ı addition to the information the workgroup asked that the division report to the subcommittee, the Joint Appropriations ubcommittee may wish to require that the division provide specific quantifiable measurements for the autism waiver rogram prior to making decisions on the waiver funding included in the 2010 base funding level.

ption: The LFC recommends the legislature consider discussing both goals and performance measurements for the rograms as part of its decisions on the executive's budget requests for this program

About 1.5% of the DDP budget supports the Medicaid community supports waiver. This waiver service provides developmentally disabled adults with limited service needs with services and supports such as:

- Training
- Residential
- Recreational
- Vocational

The executive requests are for caseload changes and funding shifts in this program.

Targeted case management services are about 4.4% of the DDP budget. Increases are related to caseload adjustments, funding shifts, and moving individuals from MDC into community-based services.

Administration makes up the remaining 5.0% of the DDP budget. The executive requests for this budget are for rent adjustments, funding shifts, and reductions under 17-7-140, MCA.

Interim Reports to the Legislature

HJR 39

The 61st Legislature passed HJR 39, a resolution requesting an interim committee study of the development of additional community services for individuals with development disabilities and co-occurring mental illness. The report prepared on HJR 39 listed a number of recommendations. The Children, Families, Health, and Human Services Interim Committee (CFHHSIC), the interim committee assigned the study, approved the report without undertaking additional study activities. CFHHSIC also sent the report to DPHHS with the recommendation that DPHHS review the recommendations and pursue any of the recommendations without further action by CFHHSIC. The full report can be found at:
http://leg.mt.gov/content/Committees/Interim/2009_2010/Children_Family/Assigned_Studies/HJR_39/hjr39-final-report-april2010.pdf

The report addresses one of the significant changes in the population of MDC - the co-occurring nature of the illnesses affecting the residents. Two of the report recommendations were related to funding. One was to create a state special revenue account that would allow various agencies and programs to pool funds to meet the needs of dually diagnosed individuals in certain instances and that would establish a mechanism for the agencies and programs to contribute funds to the account. The other was to propose crisis response, telemedicine for some mental health services, revised Medicaid reimbursement rates for certain services, and regional liaisons who can help providers navigate the DDP and mental health systems, items that may require new or revised funding.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	23,870,945	23,870,945	47,741,890	67.59%	98,386,784	98,386,784	196,773,568	88.65%
Statewide PL Adjustments	8,479,601	8,482,351	16,961,952	24.01%	239,752	244,264	484,016	0.22%
Other PL Adjustments	3,829,479	4,423,358	8,252,837	11.68%	9,603,614	10,089,300	19,692,914	8.87%
New Proposals	(1,390,751)	(933,678)	(2,324,429)	(3.29%)	1,854,314	3,162,464	5,016,778	2.26%
Total Budget	**$34,789,274**	**$35,842,976**	**$70,632,250**		**$110,084,464**	**$111,882,812**	**$221,967,276**	

About $8.0 million each year of federal funds in the FY 2010 base is replaced with general fund in the executive budget to reflect the end of the increased federal FMAP provided through the federal stimulus package in the 2011 biennium. For additional detail see the Agency Overview section of this narrative.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					418,078					422,357
Vacancy Savings					(197,275)					(197,448)
Inflation/Deflation					(1,988)					(1,901)
Fixed Costs					20,937					21,256
Total Statewide Present Law Adjustments		**$8,479,601**	**$0**	**($8,239,849)**	**$239,752**		**$8,482,351**	**$0**	**($8,238,087)**	**$244,264**
DP 10001 - FMAP Adj - DD & CMH	0.00	424,613	0	(424,613)	0	0.00	803,425	0	(803,425)	0
DP 10003 - Med Ben - DD Caseload	0.00	2,564,364	0	5,027,002	7,591,366	0.00	2,764,300	0	5,304,292	8,068,592
DP 10007 - Non DofA rent adjustment	0.00	1,504	0	3,786	5,290	0.00	3,908	0	9,842	13,750
DP 10008 - Med Ben - Annualization of Service Expansion	0.00	679,973	0	1,332,973	2,012,946	0.00	689,636	0	1,323,310	2,012,946
DP 10009 - FMAP Adj - DD Operating Costs	0.00	165,013	0	(165,013)	0	0.00	168,077	0	(168,077)	0
DP 10010 - Reduction to DSD Base	0.00	(924,237)	0	0	(924,237)	0.00	(924,237)	0	0	(924,237)
DP 10011 - Re-establish Comprehensive Waiver Base	0.00	924,237	0	0	924,237	0.00	924,237	0	0	924,237
DP 55140 - 17-7-140 reductions - Operations Efficiency	0.00	(5,988)	0	0	(5,988)	0.00	(5,988)	0	0	(5,988)
Total Other Present Law Adjustments	**0.00**	**$3,829,479**	**$0**	**$5,774,135**	**$9,603,614**	**0.00**	**$4,423,358**	**$0**	**$5,665,942**	**$10,089,300**
Grand Total All Present Law Adjustments	**0.00**	**$12,309,080**	**$0**	**($2,465,714)**	**$9,843,366**	**0.00**	**$12,905,709**	**$0**	**($2,572,145)**	**$10,333,564**

<u>DP 10001 - FMAP Adj - DD & CMH -</u> The executive requests support to provide an increase in general fund and a decrease in federal Medicaid funds over the biennium due to a projected change in Federal Medical Assistance Percentage (FMAP) rates for FY 2012 and FY 2013 as they apply to the Children's Mental Health Program benefit expenditures.

The projected calculation FMAP rate for SFY 2012 is 33.81 percent and 34.26 percent for FY 2013, as compared to the adjusted base FMAP of 33.30 percent. This funding switch is necessary to maintain current level activities.

<u>DP 10003 - Med Ben - DD Caseload -</u> This request is for general fund and federal Medicaid funds to support ongoing Medicaid caseload and service utilization projections for individuals receiving Developmental Disabilities Program services, including comprehensive waiver, community services waiver, and autism waiver services.

<u>DP 10007 - Non DofA rent adjustment -</u> The executive requests funds for rent increases for offices in non-state-owned buildings. The increases are negotiated in the lease agreements for field offices across the state.

<u>DP 10008 - Med Ben - Annualization of Service Expansion -</u> This request is for general fund and federal Medicaid funds to support FY 2011 Medicaid caseload levels for individuals receiving DDP services, including comprehensive waiver and autism waiver services. These individuals entered waiver services during the 2011 biennium; however, their annual cost plans were not part of base budget due to timing.

There are two parts to the request: 1) autism waiver startup; and 2) DDP service plans annualization. Autism waiver

startup: 50 children are screened into the waiver and have started services in FY 2010. Since implementation of service plans happened throughout FY 2010, the annual costs to support their service plans will be greater in each year of the 2013 biennium as compared to the base year FY 2010. The increases are calculated at an average cost of $45,000 per child with a utilization rate of 92% to account for delays due to individuals leaving the program and new children coming into the program. DDP service plans annualization: DDP was appropriated service expansion funds from the 2009 Legislature of $3.0 million total funds, $0.9 million in FY 2010 and $2.1 million in FY 2011. The funds requested in this proposal represent the difference between the base-year appropriation and ongoing costs for services funded at the FMAP rate.

DP 10009 - FMAP Adj - DD Operating Costs - The executive requests support to provide an increase in general fund and a decrease in federal Medicaid funds over the biennium due to a projected change in FMAP rates for FY 2012 and FY 2013 as they apply to the administrative operating costs. The decrease in federal funds is equal to the increase in general fund in the amount of $424,613 in FY 2012 and $803,425 in FY 2013.

The projected FMAP rate for SFY 2012 is 33.78 percent and 34.26 percent for FY 2013, as compared to the adjusted base FMAP of 33.30 percent.

DP 10010 - Reduction to DSD Base - In FY 2010, the DSD funding for personal supports plans was below the service needs in the comprehensive services waiver. Ongoing costs that required additional funding included residential, group home, and day treatment services. Funds were available in the MDC and were transferred into DSD to support the needed services. The executive includes this proposal to remove $924,237 in general fund from the base and bring the program back to the level established by the 2009 Legislature.

DP 10011 - Re-establish Comprehensive Waiver Base - The executive requests $924,237 in general fund each year of the biennium to provide support for comprehensive services waivers at the FY 2010 expenditure level. Additional funding was needed to provide services for residential, group home and day treatment clients, and the division anticipates the continuing need for these client services.

LFD COMMENT

FY 2009 was the first year the DDP statewide system for a fee per service Medicaid payment methodology using cost plans was fully implemented. DSD estimates of the costs for FY 2010 were $924,237 lower than the actual costs of the services for residential, group home and day treatment services in the comprehensive waiver. The services were eliminated from the base budget in the previous decision package and are requested to be reinstated.

The executive requested a reduction to the base budget to bring the budget to the present law level approved by the 2009 Legislature. A request to increase funding to support additional services above the base level is a new proposal and should be included in the budget request.

DP 55140 - 17-7-140 reductions - Operations Efficiency - The Governor made reductions to agencies' 2011 biennium general fund budgets in accordance with 17-7-140, MCA. A portion of the reductions was effective in FY 2011 and therefore is not reflected in the base. This reduction is to continue the original reduction in the 2013 biennium. DDP will make operations reductions through efficiencies in the areas of travel, conferences, supplies, newspaper ads, cell phone use, postage, and contracting.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor.

New Proposals										
	Fiscal 2012					Fiscal 2013				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 10103 - Med Ben - Restore Autism Group Home										
04	0.00	216,982	0	425,356	642,338	0.00	220,065	0	422,273	642,338
DP 10104 - Med Ben - MDC Transition to Waiver										
04	0.00	125,019	0	245,078	370,097	0.00	430,691	0	826,435	1,257,126
DP 10107 - Med Ben - DD Refinancing										
04	0.00	(2,017,138)	0	2,017,138	0	0.00	(2,017,138)	0	2,017,138	0
DP 55410 - 4% GF - MDC Reconfiguration										
04	0.00	284,386	0	557,493	841,879	0.00	432,704	0	830,296	1,263,000
Total	**0.00**	**($1,390,751)**	**$0**	**$3,245,065**	**$1,854,314**	**0.00**	**($933,678)**	**$0**	**$4,096,142**	**$3,162,464**

DP 10103 - Med Ben - Restore Autism Group Home - The executive proposes $1.3 million total funds, including $0.4 million general fund, over the 2013 biennium to restore OTO funding from the 2009 Legislative Session for a group home for people with autism. This group home is at capacity. Four people remain in treatment.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The increase in the number of children with autism has put an enormous strain on education and human services. While many of the children diagnosed with an Autism Spectrum Disorder can be served in their home - more and more children are requiring intense supervision due to severe behaviors that cause harm to self and others.

In 2008, in response to growing concerns over the care of children with autism and severe behavioral problems, the department developed an autism specific group home. The group home, located in Bozeman, is serving 4 children with autism. Prior to moving to the group home, three of the 4 children were in more restrictive residential placements while the other child was in the family home with 24 hour 1:1 supports. The Bozeman autism group home is showing that it is a successful cost saving alternative to more restrictive settings. The home treatment model incorporates best-practice evidenced based services utilizing the principles of applied behavioral analysis in a community home-based model

Goals: To provide quality services to individuals diagnosed with Autism. To retain the Bozeman Autism group home and continue to provide services in the community to the four individuals currently residing in this home.

Funding: The 2009 legislature provided the one-time funding for this home in the 2011 biennium. The home is funded with federal Medicaid funds and state funds at the FMAP rate. This decision package requests restoration of funding for this home in the 2013 biennium.

Challenges/Obstacles/Risks: The 4 children in the home will most likely always need intensive supervision. Without this service, these children are likely to return to a more restrictive residential or hospital-like setting.
The executive requests $0.6 million general fund and $1.1 million in federal funds over the 2013 biennium to support services in the community for individuals residing at MDC, whose commitments have expired and who are referred for community placement. This request provides the community services for the individuals moved out of MDC. The funding would support individual cost plans for additional residents above those discussed in DP 55410 below.

DP 10104 - Med Ben - MDC Transition to Waiver - The executive requests $0.6 million general fund and $1.1 million in federal funds over the 2013 biennium to support services in the community for individuals residing at MDC, whose commitments have expired and who are referred for community placement. This request provides the community services for the individuals moved out of MDC. The funding would support individual cost plans for additional residents above those discussed in DP 55410.

DP 10107 - Med Ben - DD Refinancing - The executive proposes a decrease of $4.0 million general fund and an increase of $4.0 million federal Medicaid funds over the biennium to support the transition of individuals served in the DD benefit program that is supported only by general fund to services funded with federal Medicaid participation. The request transfers approximately $3.0 million per year of state-only funded cost plans to cost plans funded with federal Medicaid participation at the FMAP rate.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: Some people served in the Developmental Disabilities Program (DDP) have either not applied or have not been eligible for Medicaid in the past for a variety of reasons (see the challenges section below). These people receive services that are primarily financed with general fund. This proposal converts approximately 250 people from services reimbursed with general fund to the Medicaid Waiver. (Approximately 120 people will continue to need services financed by the general fund. The number of people in each category may change, depending on the cost of their individual service plans.) This transition to Medicaid at this point is made possible for some people because of the Medicaid for Workers with Disabilities eligibility passed during the last session, which allows individuals to work and remain on Medicaid.

Goals/Funding: Convert approximately 250 people currently receiving general fund services to the Medicaid Waiver. The goal will be to refinance individual personal support plans with the least negative effect to the life of any individual. The proposal to fund services at the Medicaid FMAP rate creates a reduction to general fund of $2.01 million each year and increases Medicaid federal revenues by an equal amount.

Performance Measure: The measure of success in meeting the refinancing goal will be the number of plans converted to Medicaid by 7/1/11.

Milestones:
12/15/10- Submit ARM changes
2/1/11- Submit waiver changes as necessary
7/1/11- All identified individuals converted to waiver services

FTE:
No FTE will be added or reduced as a result of refinancing

Challenges/Obstacles/Risks: Several tasks must be done to convert individuals to Medicaid waiver services. First, each individual must be assessed for and found eligible for Medicaid. Examples of challenges and decisions that need to be addressed in assessing which clients should convert to Medicaid funding include:

- Individuals who have received a relatively small amount of general fund service because of other family/community supports may be eligible for a larger array of services financed through the waiver. This could be more costly to the general fund
- Individuals with large spend downs that must be met to become eligible for Medicaid. In some communities access to subsidized housing is unavailable due to large waiting lists and rents are high. A large spend down may create severe hardships such as being unable to afford housing
- Individuals residing in a nursing facility may not be eligible for specialized DD Medicaid waiver services outside of the nursing home due to federal regulations
- Individuals with excess resources, such as property, may not be eligible for Medicaid until the resources are sold and then spent down
- Individuals with trusts may not be eligible for Medicaid until the trust is depleted

Changes to administrative rules and possibly waiver amendments will also be needed.

DP 55410 - 4% GF - MDC Reconfiguration - The executive included this decision package as part of the department's 4% general fund personal services reduction. This request is for an increase of $0.7 million general fund over the 2013 biennium to reconfigure the operations of MDC and move 12 residents of MDC into community-based services. Included in the MDC budget is a request for a general fund reduction for staffing reductions associated with a reduction to the number of licensed beds serving the 12 clients.

LFD COMMENT	For a further discussion see the program narrative.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: A few residents remain at MDC who are diagnosed with a moderate or severe mental retardation, are older and have resided at the facility for many years, require supervision for daily self care activities, and do not have a mental health diagnosis. All of these individuals have been referred for community placement. Due to the lower level of functioning and vulnerability of these individuals, mixing this population with the new commitments described below puts these remaining individuals at risk for serious harm. This proposal provides funding for the personal support plans to serve the individuals in the community.

Goals: The goal of the reconfiguration will be to place individuals into the community and reduce the census by 12 individuals on the ICF/MR portion of the facility. The licensed capacity of MDC will be reduced to 56 individuals (44 beds in the ICF/MR portion of the facility and 12 beds in the ICF/DD portion of the facility).

Performance Criteria: Successfully place all 12 individuals out of MDC by December 31, 2011.

Milestones: Following passage by the 2011 Legislature, DDP would begin the process of placement from MDC. Activities toward that goal would include:

- 5/1/2011- Send notice to providers for requests to serve the 12 individuals
- 7/1/2011-Begin placements of the 12 individuals
- 12/31/2011- Place all 12 individuals in community placements

FTE The proposal will reduce 13 FTE at MDC.

Funding Source: The request is $0.7 million general fund and $1.3 million federal Medicaid funds over the 2013 biennium.

Obstacles: The biggest potential obstacle to the success of the MDC reconfiguration will be whether community providers will submit proposals to serve the 12 individuals in one location.

Risk: If placement in the community is delayed or does not happen, several of the individuals we are asking to move to the community are at risk of harm, because of the characteristics of the other clients at MDC. DPHHS and Montana also face the risk of legal action based on previous "Olmstead" court decisions. These Olmstead decisions center on treating people in the least restrictive setting. Community settings have been found to be less restrictive than facilities. Other states have been given some leeway when clients, who are ready for discharge, are moved from a state facility to a community setting at a reasonable pace.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	76.00	76.00	96.00	96.00	76.00	96.00	20.00	26.32%
Personal Services	3,859,994	3,857,284	5,195,824	5,190,957	7,717,278	10,386,781	2,669,503	34.59%
Operating Expenses	8,446,921	11,461,343	10,260,744	10,513,332	19,908,264	20,774,076	865,812	4.35%
Equipment & Intangible Assets	2,950	5,535	2,950	2,950	8,485	5,900	(2,585)	(30.47%)
Grants	0	0	0	0	0	0	0	n/a
Benefits & Claims	475,835,262	512,789,028	623,090,790	657,684,824	988,624,290	1,280,775,614	292,151,324	29.55%
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	**$488,145,127**	**$528,113,190**	**$638,550,308**	**$673,392,063**	**$1,016,258,317**	**$1,311,942,371**	**$295,684,054**	**29.10%**
General Fund	64,901,357	92,710,304	127,070,748	115,132,270	157,611,661	242,203,018	84,591,357	53.67%
State Special	47,033,799	48,827,716	63,269,716	82,036,092	95,861,515	145,305,808	49,444,293	51.58%
Federal Special	376,209,971	386,575,170	448,209,844	476,223,701	762,785,141	924,433,545	161,648,404	21.19%
Total Funds	**$488,145,127**	**$528,113,190**	**$638,550,308**	**$673,392,063**	**$1,016,258,317**	**$1,311,942,371**	**$295,684,054**	**29.10%**

Program Description

The Health Resources Division (HRD) administers Medicaid primary care services, Healthy Montana Kids (formerly the Children's Health Insurance Program and children's Medicaid services), and Big Sky Rx. The purpose of the division is to improve and protect the health and safety of Montanans. The division reimburses private and public providers for a wide range of preventive, primary, and acute care services. Major service providers include: physicians, public health departments, clinics, hospitals, dentists, pharmacies, durable medical equipment, and mental health providers. The division develops tools, measurements and reports necessary to allow division management to administer and control programs and expenditures in the division, and to report those results in an accurate and timely manner to others. The division strives to provide superior customer service in a respectful, fair, and timely manner.

The majority of services in the division are funded through Medicaid. Medicaid is a voluntary state/federal partnership that reimburses for medical services for the aged, blind, disabled, children and low-income families.

The division administers Healthy Montana Kids (HMK) as a separate health insurance program and contracts with Blue Cross Blue Shield to provide third party administrator services. HMK dental and eyeglasses benefits are reimbursed directly by the department. HMK is a voluntary state/federal partnership that reimburses for medical services for children at or below 250% of poverty. HMK eligibility is determined by division staff.

Big Sky Rx is a state funded program that helps Montanans, who are at or below 200% of poverty and who are eligible for the Medicare Part D prescription drug program, pay for their Medicare premium. Big Sky Rx eligibility is determined by division staff. A related program, PharmAssist, pays for prescription drug counseling by a pharmacist and provides drug information and technical assistance to all Montanans.

'rogram Highlights

Health Resources Division
Major Budget Highlights

- The HRD 2013 biennium budget is $295.7 million greater than the 2011 biennium including $84.6 million general fund, $161.6 million federal funds, and $49.4 million state special revenue
- The major changes in the executive budget request include:
  - $75.0 million in general fund to offset both the loss of the 10% temporary increase in the federal match rate and for the increase in the regular state Medicaid match rate; there is a like reduction in federal Medicaid matching funds
  - $223.7 million for eligibility and service utilization changes in physical health Medicaid services
  - $71.8 million for Healthy Montana Kids for the amount funded from the federal Children's Health Insurance Program (CHIP) grant (not including the request for new FTE)
- Funding for 20.00 new FTE and operating costs to support the new FTE as well as current services
  - 15.00 FTE to administer Healthy Montana Kids (HMK), which includes continuation of 6.00 FTE funded on a one-time basis by the 2009 Legislature - $1.3 million
  - 5.00 FTE to expand Medicaid funded family planning services to adults with incomes up to 200% of the federal poverty level - $1.2 million
  - Increases in contracts for the Medicaid Management Information System and hospital cost reports - $1.6 million
- Funding increases are partially offset by reductions in operating costs

Major LFD Issues

- State special revenue dedicated to HMK is not adequate to fund services costs for all children eligible for funding from the account, with an estimated $11.8 million shortfall based on LFD enrollment and cost estimates
  - The executive budget funds $15.6 million of projected HMK costs from the general fund based on LFD estimates of 2013 biennium enrollment
  - The amount shifted to the general fund could be lowered by $3.6 million and still keep the HMK state special revenue account solvent based on LFD enrollment and cost estimates
    - Just prior to publication LFD staff received documentation from DPHHS that the executive budget request for HMK may be amended and some of the HMK state special revenue used to offset $3.1 million general fund
- Growth rates for major Medicaid services from FY 2012 to FY 2013 are low compared to historic changes and there appear to be no significant policy changes in program administration that would contribute to lower cost trends

Program Narrative

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the legislature may wish to review the following:

- Goals, objectives and year-to-date outcomes from the 2011 biennium.
- Critical agency goals, objectives, and anticipated outcomes and their correlation to the executive's budget request for the 2013 biennium.

2011 Biennium Goals

The following provides an update of the goal monitored by the LFC during the 2011 biennium.

Goal: Increase the number of low-to-moderate income Montana children who have health care coverage.
Baseline: 19,012 children were enrolled in CHIP and 50,290 in Medicaid effective September 2009.

HMK enrollment is discussed in greater detail in the division budget discussion.

2013 Biennium Goals

During the interim the LFC met with the agency to select critical goals and performance measurements for the legislature to consider during the appropriation process. The identified critical goals are:

- Implementation of broad based budget reductions and the effect on DPHHS operations; workgroup members discussed the 4% reduction in FTE and personal service costs in relation to this goal
- Implementation of Healthy Montana Kids
- Evaluation of the impacts of the economy and recession on workload and programs
- Implementation of components of federal health insurance reform including:
  - Integrate Medicaid eligibility determination in the health insurance exchange design
  - Evaluate the potential for a single system to determine Medicaid eligibility
  - Outline components and cost of Medicaid eligibility expansion for consideration by the 2013 Legislature

Each of these goals is relevant to HRD in the coming biennium, particularly the goal related to HMK and goals related to implementation of federal health insurance reform. Ongoing implementation of HMK is discussed in greater detail in the division budget narrative.

Implementation of federal health reform will have an impact on the HRD budget request for the 2015 biennium. Federal health insurance reform raises Medicaid eligibility to 138% of the federal poverty level (133% initial floor plus a 5% income disregard) and eliminates consideration of assets for nondisabled, nonelderly persons. Montana Medicaid eligibility for children is established in statute at 185% of the federal poverty level, with funding in the 2011 and 2013 biennia pegged at supporting eligibility at 133%; Montana Medicaid eligibility for non-elderly, non-disabled adults will be raised from the current level of about 33% to 138%.

LFD COMMENT

The legislature may wish to ask DPHHS to address the potential impacts to Medicaid program administration and eligibility levels. The legislature may wish to ask that an interim committee such as the LFC or Children, Families, Health, and Human Services Interim Committee monitor and comment on implementation of federal changes during the interim.

Program Budget Discussion

The Health Resources Division (HRD) has the single largest budget in DPHHS with a $1.3 billion request for the 2013 biennium or 35% of the total agency request. There are two basic ways to compare budget changes for the 2013

biennium. The first is to compare the difference from the 2011 biennium, which is about $295.7 million for HRD. The second way is to compare each year of the 2013 biennium to the FY 2010 base budget expenditures - about $335.7 million, which is the basis used by the legislature for appropriation decisions.

A biennial comparison includes changes in appropriations from FY 2010 to FY 2011, which is important in programs with Medicaid services. Historically there are ongoing annual increases in Medicaid service utilization and usually in the number of persons eligible for services, unless the legislature, DPHHS, or federal policies make programmatic changes that lower annual cost growth. So absent programmatic changes, the FY 2011 cost for Medicaid services will be higher than the FY 2010 cost. Therefore the total cost increase between biennia is usually smaller than the 2013 biennium budget request compared to the base budget doubled.

Major Components of Budget Increases

The main program table for HRD shows the biennial comparison. However, the appropriation decisions the legislature will consider are based on the difference from the base budget. The most significant changes in the executive budget are:

- Medicaid physical health cost increases (not including those listed below) - $189.2 million total funds, $105.0 million general fund
- Healthy Montana Kids Initiative – 15.00 new FTE, $88.7 million total funds, $21.1 million state special revenue from insurance premium taxes
- Medicaid reimbursement for Indian Health Services (I.H.S.) - $46.7 million federal funds
- Medicare buy in (payment of Medicare Part A and Part B insurance for persons eligible for both Medicare and Medicaid) - $6.2 million total funds, including $2.1 million general fund
- Medicaid service expansions to cover additional types of organ transplants for adults and to allow disabled enrollees to earn more income and retain Medicaid services - $1.9 million total funds, $0.1 million general fund $0.6 million tobacco settlement trust interest state special revenue
- 5.00 new FTE to administer expansion of Medicaid family planning services - $1.2 million

Increases are partially offset by:

- A one-time reduction in general fund match by $17.0 million in state special revenue from the federally allowable set aside of a small portion of the temporary increase in the federal Medicaid match rate during FY 2010
- Supplemental payments to hospitals ($50 per day utilization fee) - $6.5 million total funds reduction due to discontinuation of the temporary increase in the federal Medicaid match rate, which reduces federal funds more than the increase in hospital tax state special revenue matching funds anticipated during the 2013 biennium

General Fund Increases

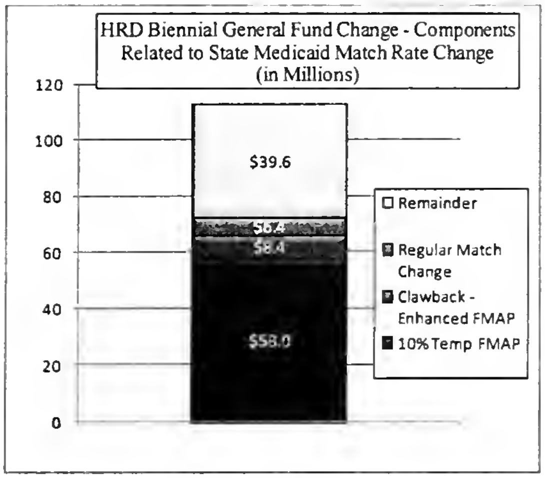
General fund increases $112.4 million between the FY 2010 base budget and the 2013 biennium. A significant portion of the change is due to state Medicaid match requirements and the temporary increase in the federal Medicaid match rate in FY 2010.

Funding Shifts due to Federal Medicaid Match (FMAP)

General fund increases $70.5 million for the state Medicaid match rate. All but $8.2 million is offset by equal reductions in federal Medicaid matching funds.

Figure 19 shows the general fund changes related to the state Medicaid match rate compared to the total general fund request for HRD.

Figure 19



The state Medicaid match requirements increase due to:

- Discontinuation of the 10% temporary increase in the federal Medicaid match rate for Medicaid services ($58.0 million)

- Discontinuation of the 10% temporary increase in the federal Medicaid match for the clawback payment (reimbursement for savings due to implementation of the federal Medicare Part D prescription drug benefit - $8.4 million)
- Implementation of increases in the regular state Medicaid match rate ($6.4 million)

Majority of Cost in Present Law Adjustments

The majority ($324.6 million) of the 2013 biennium budget request supports present law adjustments to continue services at the level authorized by the last legislature.

HRD Division Budget by Service

Figure 20 shows the HRD 2013 biennium budget request compared to base budget expenditures. The budgets for major division functions are shown as well as the amount requested for each major service.

Figure 20

FY 2010 Base Budget Compared to 2013 Executive Budget Request - Health Resources Division													
	FY 2010 Base Budget				FY 2012 Executive Request				FY 2013 Executive Request				% of
Major Function and Services	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	Total
Major Function													
Medicaid Services	$64,901,357	$32,143,371	$339,108,374	$436,153,102	$127,070,748	$37,641,608	$380,186,256	$544,898,612	$115,132,270	$54,764,929	$404,374,611	$574,271,810	85.3%
Healthy Montana Kids	0	10,863,619	37,101,597	47,965,216	0	21,624,283	68,023,588	89,647,871	0	23,267,940	71,849,090	95,117,030	14.1%
Big Sky Rx Programs	0	4,026,809	0	4,026,809	0	4,003,825	0	4,003,825	0	4,003,223	0	4,003,223	0.6%
Total Division Budget*	64,901,357	47,033,799	376,209,971	488,145,127	127,070,748	63,269,716	448,209,844	638,550,308	115,132,270	82,036,092	476,223,701	673,392,063	100.0%
Percent of Total	13.3%	9.6%	77.1%	100.0%	19.9%	9.9%	70.2%	100.0%	17.1%	12.2%	70.7%	100.0%	
Medicaid Services*													
Hospital & Clinic Services	28,003,097	1,202,694	105,209,526	134,415,317	54,189,385	1,456,269	106,284,350	161,930,004	56,724,934	1,459,644	106,942,868	165,127,446	24.5%
Hospital Utilization Fee	0	18,508,647	51,506,796	70,015,443	0	22,660,858	44,363,271	67,024,129	0	22,785,989	43,723,027	66,509,016	9.9%
Managed Care Services	7,170,829	5,272,338	42,913,460	55,356,627	19,537,862	5,272,338	49,670,304	74,480,504	20,189,335	5,272,338	50,669,198	76,130,871	11.3%
Acute Services**	5,646,699	5,734,891	38,537,244	49,918,834	12,969,955	5,738,837	31,286,909	49,995,701	(3,781,152)	22,723,412	31,737,607	50,679,867	7.5%
Pharmacy Services	5,641,784	1,274,999	14,971,871	21,888,654	12,039,089	2,066,153	31,529,000	45,634,242	12,204,375	2,076,683	31,537,803	45,818,861	6.8%
Medicare Buy-In	5,161,750	0	19,341,863	24,503,613	8,464,070	0	18,900,051	27,364,121	8,774,573	0	19,458,290	28,232,863	4.2%
Clawback Payment - Part D	9,221,169	0	0	9,221,169	15,453,000	0	0	15,453,000	16,535,000	0	0	16,535,000	2.5%
Cervical and Breast Cancer	1,117,380	0	3,796,575	4,913,955	1,140,690	0	3,872,036	5,012,726	1,153,041	0	3,909,811	5,062,852	0.8%
Indian Health Services	0	0	32,499,158	32,499,158	0	0	48,748,737	48,748,737	0	0	60,935,921	60,935,921	9.0%
School Based Services	0	0	25,003,301	25,003,301	0	0	39,060,000	39,060,000	0	0	48,825,000	48,825,000	7.3%
Healthy Montana Kids/CHIP	0	9,889,112	34,769,509	44,658,621	0	20,047,930	64,899,126	84,947,056	0	21,651,196	68,735,361	90,386,557	13.4%
Big Sky Rx	0	3,434,270	0	3,434,270	0	3,434,270	0	3,434,270	0	3,434,270	0	3,434,270	0.5%
PharmAssist Program	0	6,300	0	6,300	0	6,300	0	6,300	0	6,300	0	6,300	0.0%
Total Benefits Costs	$61,962,708	$45,323,251	$368,549,303	$475,835,262	$123,794,051	$60,682,955	$438,613,784	$623,090,790	$111,800,106	$79,409,832	$466,474,886	$657,684,824	100.0%
Percent of Division Total	95.5%	96.4%	98.0%	97.5%	97.4%	95.9%	97.9%	97.6%	97.1%	96.8%	98.0%	97.7%	

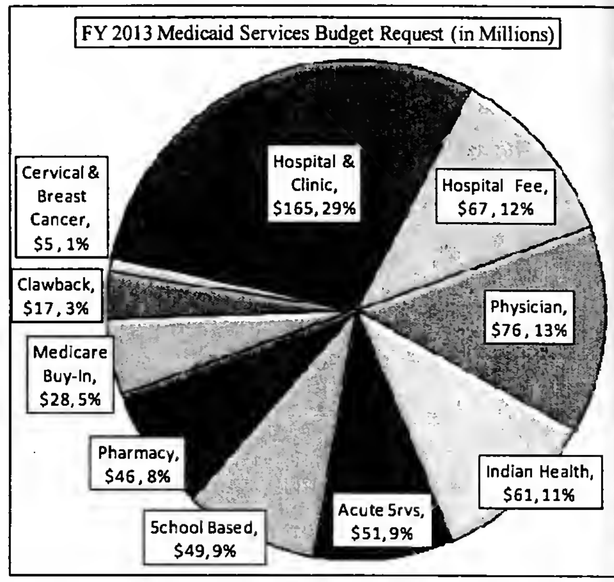
*State costs for Medicaid services shown for FY 2010 are funded at the temporary enhanced federal match rate, which reduced state match requirements by about 10%.

**The FY 2013 general fund reduction is due to a one-time infusion of $17.0 million in state special revenue from a federally allowable set aside of the temporary federal Medicaid match rate increase.

Medicaid Services

The Medicaid services function is 85% of the FY 2013 budget request, followed by HMK with 14%. The remaining functions – Big Sky Rx and PharmAssist – are less than 1% of the FY 2013 budget request. Funding for services to individuals is $657.7 million or 98% of the total FY 2013 request and Medicaid services are the vast majority of that amount. Figure 21 shows the Medicaid services request by service.

Figure 21



The Medicaid services budget request is discussed in greater detail in the agency overview. LFD staff analysis of the caseload estimates and identification of risk associated with Medicaid cost projections is discussed in relationship to all services. Generally, the budget request for HRD Medicaid services increases $243.1 million compared to FY 2010 base budget expenditures.

Hospital and Clinic Services

The single largest expenditure made by HRD is for inpatient and outpatient hospital and clinic services, projected to reach $165.1 million in FY 2013, not including supplemental payments funded by the hospital utilization fee, which add another $66.5 million. Examples of clinic services include ambulatory free standing surgical centers, Federally Qualified Health Centers (FQHCs), and rural health clinics.

The utilization fee is a $50 per day assessment for each day of inpatient hospital care provided by a hospital. The hospital fee is used to match federal Medicaid funds and provide additional reimbursements to hospitals for Medicaid eligible services.

Managed care services are 12% of the total benefits budget and include physician and laboratory services. As part of the Governor's spending reductions under 17-7-140, MCA, the statutorily required rate increase for physicians was suspended in FY 2010. Medicaid physician rates are tied to Medicare fee schedules and together with increases in the fee schedules and state statutorily required increases, Montana Medicaid physician rates exceeded Medicare rates.

LFD COMMENT

Legislation Needed to Implement Executive Budget Request

The executive will request legislation to amend 53-6-125, MCA that requires DPHHS to adjust Medicaid physician rates based on several factors including a minimum increase of 6% per year. A part of the 17-7-140 reductions, DPHHS withheld the rate increase in FY 2010. The Medicaid caseload estimates are based on the elimination of the statutory requirement to raise physician rates. If the bill is not passed and approved, projected Medicaid costs would be too low by about $7.7 million over the biennium ($2.6 million general fund) based on DPHHS Medicaid services cost documentation.

Acute services include private duty nursing, hearing aids, and most of the therapies (physical, occupational, and speech). Acute services are about 8% of the total FY 2013 request.

Medicare buy in funds Part A and Part B premiums for persons eligible for both Medicare and Medicaid (dual eligibles). Medicare is billed first for services provided to dual eligibles and Medicaid pays the balance of allowable charges.

The clawback payment (100% general fund) is made to the federal government and represents the savings to the state Medicaid program due to implementation of Part D for prescription drugs. Previously, Medicaid paid the drug costs for

dual eligibles. The clawback is based on the number of dual eligibles and a payment for each. It is funded entirely from the general fund.

The clawback payment increases from $9.2 million to $16.5 million in FY 2013 in large part due to savings from the temporary increase in the federal Medicaid match rate and the increase in the regular state Medicaid match rate. After the 2009 legislative session a revision in federal interpretation of the American Recovery and Reinvestment Act of 2009 allowed the temporary increase to be applied to the clawback resulting in a general fund savings of $4.2 million in FY 2010. So most of the increase in the clawback is due to the federal Medicaid match rate returning to the level it would have been without the temporary change. Another $0.9 million is due to the regular annual change in the state Medicaid match rate. The two other factors – the number of persons eligible for both Medicare and Medicaid as well as federally determined cost increases in the per capita drug cost used for the clawback calculation – result in $3.7 million over the biennium.

Cervical and breast cancer services – under 1% of the division budget request - are provided to persons with incomes under 200% of the federal poverty level and who are screened and diagnosed through the Montana breast and cervical cancer program. Medicaid covers the cost of cancer treatment and other basic health services.

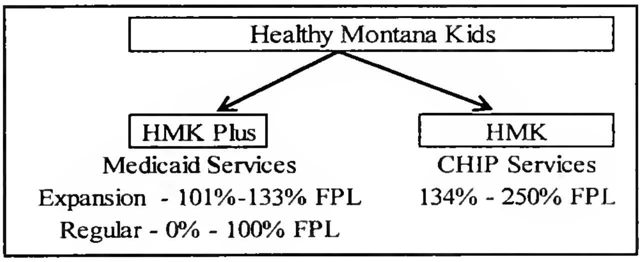
Indian Health Services (I.H.S.) benefits represent federal Medicaid reimbursement for services provided by: 1) I.H.S. to Medicaid eligible persons; or 2) by tribes that directly administer services that in other instances would be administered by I.H.S. The I.H.S. request increases from $32.5 million in the base budget to $60.9 million in FY 2013 because reimbursement will move to an encounter (per visit) rate rather than an all-inclusive rate and due to increased service utilization.

Schools receive federal reimbursement for Medicaid services provided by schools for eligible students. The executive request anticipates increases in school based services from $25.0 million in FY 2010 to $48.8 million in FY 2013.

Healthy Montana Kids (HMK)

The amount listed for HMK program services in the following figure is 14% of the FY 2013 budget request. Voters enacted Initiative 155 (I-155) November 2008 to establish the HMK program. Figure 22 shows the two basic eligibility groups in the program.

Figure 22



The initiative combined the Children's Health Insurance Program (CHIP) and children's Medicaid services into a single program and raised financial eligibility for children's health services by:

- o Removing consideration of family assets for Medicaid eligibility
- o Increasing financial eligibility for CHIP services from 175% to 250% of the federal poverty level for family income
- o Raising Medicaid eligibility for children in families with incomes up to 185% of the federal poverty level

The legislature appropriated funds based on CHIP eligibility at the 250% level and children's Medicaid eligibility at 133% of the federal poverty level.

The initiative diverted 33% of insurance premium taxes from the general fund to a state special revenue account to fund enrollment in HMK. The 2009 Legislature reduced the flow of insurance premium taxes into the HMK state special revenue account by half (16.5%) effective for four years (July 1, 2009 through June 30, 2013) during initial program implementation. The funds are to be used to support enrollment above the level on November 4, 2008.

Figure 23

HMK Eligibility Type, Age, Family Income, Services Package, State Match Rate						
Elibility Group	Age	Family Income by Federal Poverty Level	Services Package	Federal Fund Source	State Match Rate FY12	FY13
HMK Plus						
Children 0-18	0 - 18	0-100%	Medicaid	Medicaid	33.81%	34.26%
Children 6-18 (Expansion)	6 - 18	101-134%	Medicaid	CHIP	23.60%	23.95%
HMK (CHIP)	0 - 18	134-250%	CHIP	CHIP	23.60%	23.95%

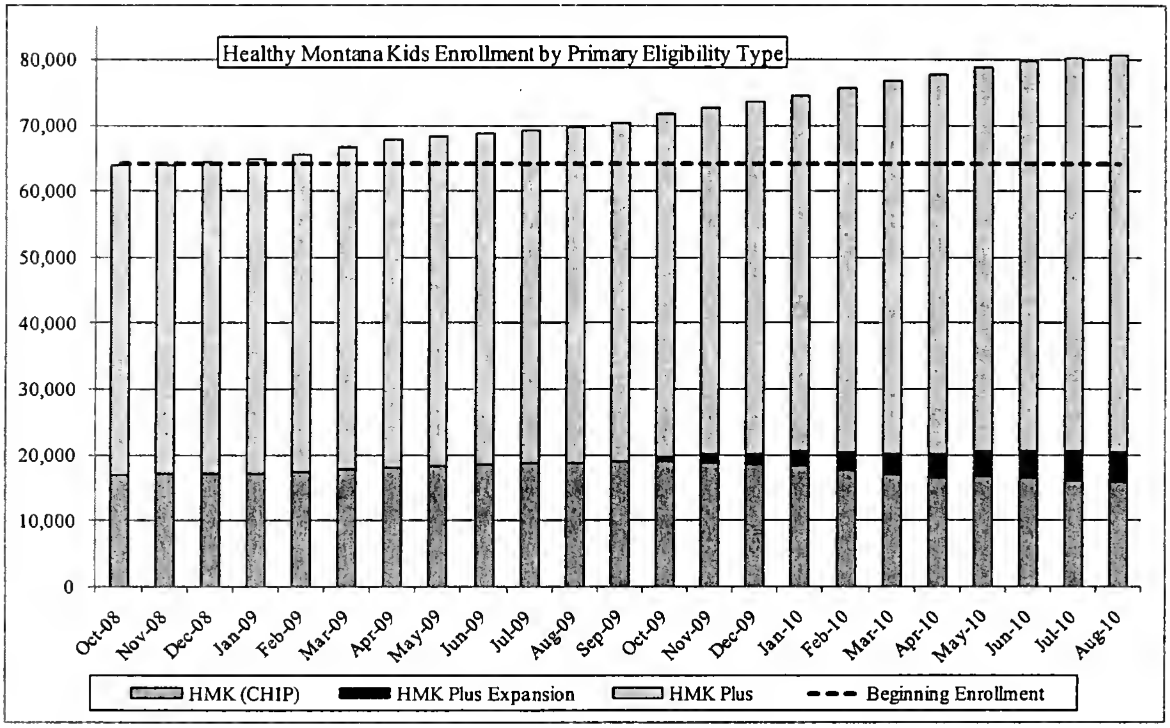
HMK Eligibility Categories

DPHHS tracks eligibility in three separate groups so that it can allocate costs between federal CHIP block grant funds and Medicaid matching funds. Figure 23 shows the eligibility types and income limits for the program that DPHHS uses for budgeting purposes. HMK/CHIP and HMK Plus expansion are funded from the CHIP federal grant, which has the lowest state match. HMK Plus non expansion is funded from Medicaid funds.

Enrollment in the HMK Program

Figure 24 shows enrollment in the HMK program. Although I-155 passed November 4, 2008, DPHHS did not raise financial eligibility for HMK/CHIP and HMK Plus expansion until September 2009 after it had received federal approval for changes to the Medicaid and CHIP state plans. However, enrollment in both HMK/CHIP and HMK Plus (non expansion) increased during that time.

Figure 24



Total enrollment in the HMK program grew by 16,428 children from October 2008 for a total enrollment of 80,056 children in August 2010. The highest enrollment over that time period occurred in the HMK Plus non expansion group with 13,303 additional children. HMK Plus expansion population rose to 4,732, while enrollment in HMK/CHIP declined.

2011 Biennium Enrollment Compared to Projections During 2009 Session

Figure 25

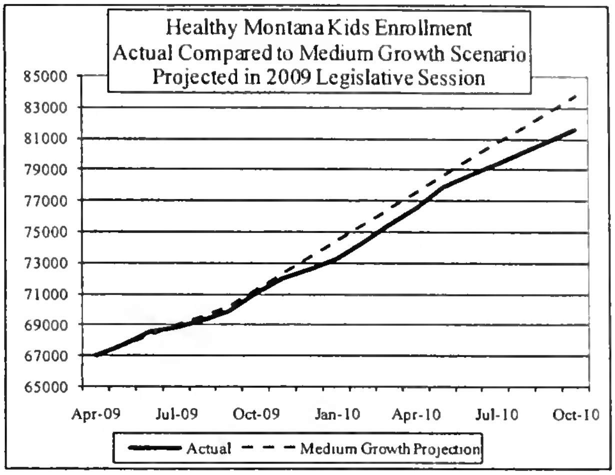
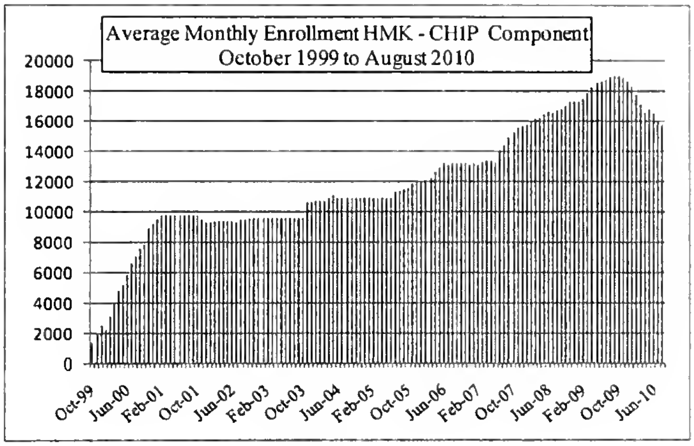


Figure 25 shows actual enrollment in all components of HMK compared to the medium growth scenario discussed in the LFD 2011 Biennium Fiscal Report. Actual enrollment through August 2010 closely mirrored a medium growth scenario.

Figure 8 shows enrollment in HMK/CHIP from the beginning of CHIP implementation through August 2010. HMK/CHIP enrollment declined from 16,977 in October 2008 to 15,791 as of August 2010. Part of the reason enrollment in HMK/CHIP declined was due to children moving from HMK/CHIP to HMK Plus. Because of the elimination of family assets tests and income eligibility increasing to 133% of the federal poverty level for all children, some children formerly eligible for HMK/CHIP moved to HMK Plus. DPHHS estimated that between 1,000 to 1,200 children per month transitioned from HMK/CHIP to HMK Plus from September 2009 to August 2010.

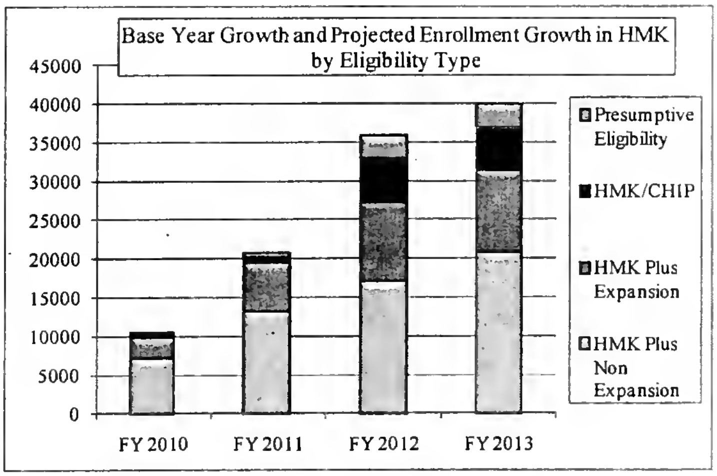
Figure 26



Enrollment Projections

Figure 26 shows the HRD enrollment projections for HMK/CHIP, HMK Plus expansion, HMK presumptive eligibility, and the LFD estimate for increased enrollment in HMK Plus non expansion. Presumptive eligibility will be implemented January 1, 2011 for children treated at hospitals. Hospital staff will provide application forms to families and if family income appears to be within program eligibility, the child and all siblings will be presumed to be eligible for HMK. The eligibility will last one year and families will be encouraged to enroll in HMK through DPHHS.

Figure 27



Enrollment is expected to increase in part due to outreach funded from a federal grant. The enrollment outreach will focus on enrolling Tribal members. DPHHS estimates that average annual enrollment in HMK/CHIP is expected to increase to about 23,260 each year of the 2013 biennium and the expansion group is expected to rise to 10,423 by FY 2013. DPHHS did not provide enrollment projections for the HMK Plus non expansion group, which experienced the most growth in the 2011 biennium. The LFD estimate assumes that HMK Plus non expansion group enrollment will continue to increase at the FY 2010 rate - adding about 3,900 children annually.

Funding for HMK Enrollment Increases

As discussed previously, I-155 diverted a portion of the insurance premium tax to pay for the HMK program. 53-4-1115 (2)(a) MCA says that money in the HMK state special revenue account . . . "is to be used solely to cover the number of additional enrollees in the plan that exceeds the number of enrollees as of November 4, 2008, ... and to pay administrative costs associated with expanded eligibility."

LFD ISSUE

HMK State Special Revenue Could Offset General Fund Medicaid Costs

Executive Budget Request for HMK May be Modified

LFD staff evaluated the executive budget request received November 1 with respect to HMK services. Based on questions raised by LFD staff, DPHHS staff reviewed several assumptions and variables used in the documentation supporting the HMK budget request.

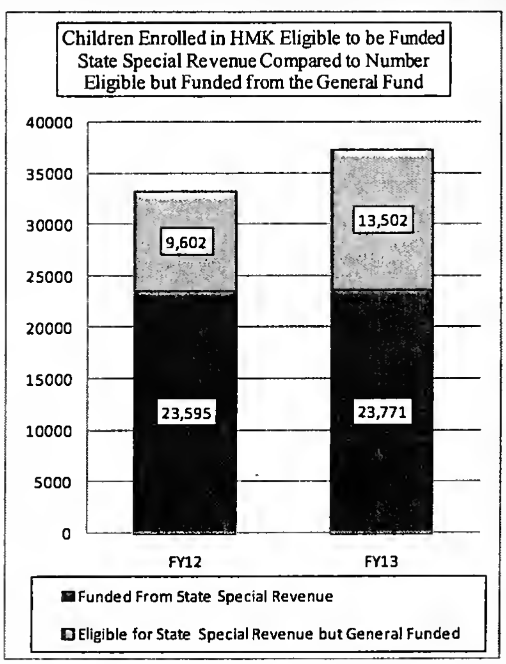
DPHHS provided revised documentation to LFD staff on December 3. Publishing time constraints did not allow evaluation of the revised documentation prior to publication of the LFD Budget Analysis. DPHHS staff indicated that there may be changes to the executive budget request for HMK that use a portion of the state special revenue to offset some level of general fund costs.

This issue is based on the executive budget as published. The basic premise and discussion that follows and will remain germane for legislative consideration of HMK appropriation levels.

November 15 HMK Budget Request

The executive budget funds the full state match required for services for HMK/CHIP and HMK Plus expansion from the insurance premium tax state special revenue account and a small portion of the state match for services for the HMK Plus non expansion group. The remainder of state cost for services related to enrollment increases in HMK Plus non expansion from FY 2011 through FY 2013 is funded from the general fund.

The figure below shows the HMK enrollment level funded from state special revenue in the executive budget compared to enrollment level that is eligible for the state special revenue match, but that is currently funded from the general fund. As noted previously, the number of children estimated to be enrolled in HMK Plus non expansion is based on LFD assumptions. The estimated number eligible for funding from state special revenue but currently funded with general fund is based on the enrollment trends in the HMK Plus non expansion group since November 2008. The assumption is that enrollment continues to increase by an average annual amount of 3,900 children.



LFD ISSUE

HMK State Special Revenue Account Balance

The figure below shows the actual and estimated fund balance for the HMK state special revenue account for the executive budget request. As discussed earlier, there may be a modification to the executive request to use about $3.1 million of the HMK state special revenue to offset general fund. That would leave an estimated $0.6 million in the account. Including the executive budget request and the LFD estimate of the total cost of all children eligible for funding from the account, the ending fund balance in the HMK account would be overdrawn by $11.8 million at the end of FY 2013.

The legislature can consider several options with regard to funding HMK. It can:

- Accept the current or revised executive budget without change
- Request that DPHHS staff identify planned expansions that could be curtailed or postponed, service changes that could be made, or other cost containment options

Healthy Montana Kids State Special Revnue Fund Balance
2011 Biennium and 2013 Biennium

Fund Balance/Revenue/Expenditures	Actual FY2010	Estimated FY2011	2013 Biennium FY2012	FY2013
Beginning Fund Balance	$14,622,499	$18,156,927	$15,652,491	$10,161,319
Revenue - Insurance License Tax*	9,660,567	10,108,683	10,648,316	11,257,752
Total Revenue	24,283,066	28,265,610	26,300,807	21,419,071
Estimated Interest Earnings	42,672	70,664	240,652	377,815
Total Funds Available	24,325,738	28,336,274	26,541,459	21,796,886
Expenditures				
Medicaid Expansion Services**	1,122,627	3,684,226	5,433,863	6,018,907
CHIP Services**	879,328	809,322	6,666,786	7,620,100
Medicaid Services - Physician**	1,509,723	3,283,629	1,509,723	1,509,723
Medicaid Services - Other Outpatient**	1,509,723	3,283,629	1,509,723	1,509,723
Medicaid Mental Health Services**	78,917	78,917	78,917	78,917
Direct Adminstrative Costs	535,337	1,233,391	854,926	867,113
Indirect Administrative Cost***	295,875	310,669	326,202	342,512
Subtotal Expenditures	5,931,530	12,683,783	16,380,140	17,946,995
Adjustments	(237,281)	0	0	0
Ending Fund Balance	$18,156,927	$15,652,491	$10,161,319	$3,849,891
LFD Estimate for HMK Plus (0-100% FPL)			6,561,996	9,064,687
Revised Ending Fund Balance			$3,599,323	($11,776,792)

*Revenue based on estimates adopted by the Interim Revenue and Transportation Committee on November 19, 2010.

**The Medicaid expansion services are those provided to children in families with incomes between 101% to 133% of the federal poverty level and CHIP services are provided to children in families with incomes between 134% to 250% of the federal poverty level. Medicaid services are those provided to children with family incomes 0% to 100% of the federal poverty level. The FY11 cost estimate is drawn from the November 2011 DPHHS budget status report and other DPHHS information.

***These costs were estimated by LFD staff for FY2011 - FY2013.

If the legislature opts to prioritize the use of HMK state special revenue among eligibility groups it could consider whether it would prefer to direct funds first to the support of:

- HMK/CHIP and HMK Plus expansion groups
- The entitlement components of the program (HMK Plus/Medicaid groups) and then toward HMK/CHIP
- HMK Plus non expansion first to offset costs shifted to the general fund and then to HMK Plus expansion group followed by HMK/CHIP

Big Sky Rx

Big Sky Rx provides premium payment assistance to Medicare Part D beneficiaries with incomes under 200 percent of the poverty level. The executive budget maintains expenditures for Big Sky Rx at the FY 2010 expenditure level. Average enrollment in Big Sky Rx was 10,008 during FY 2010, with an estimated average monthly enrollment of 11,000 in FY 2011.

PharmAssist

PharmAssist pays for prescription drug counseling by a pharmacist and provides drug information and technical assistance to all Montanans. The executive budget maintains expenditures at the base budget level of $6,300.

Reorganization

Children's mental health Medicaid services for seriously emotionally disturbed (SED) children were transferred to the Disability Services Division as part of the agency reorganization. The reorganization is discussed in the agency overview.

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table
Health Resources Division

Program Funding		Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000	Total General Fund	$ 64,901,357	13.3%	$ 127,070,748	19.9%	$ 115,132,270	17.1%
	01100 General Fund	64,901,357	13.3%	127,070,748	19.9%	115,132,270	17.1%
02000	Total State Special Funds	47,033,799	9.6%	63,269,716	9.9%	82,036,092	12.2%
	02053 Medicaid Nursing Home Match	33,869	0.0%	37,815	0.0%	37,868	0.0%
	02137 Medicaid Reserve Account	-	-	-	-	16,984,522	2.5%
	02142 Medicaid Third Party Revenue	1,598,692	0.3%	1,598,692	0.3%	1,598,692	0.2%
	02311 6901-02 Indrct Activty Prog 11	27,547	0.0%	29,139	0.0%	29,141	0.0%
	02514 Comm Hlth Care Ssr	122,255	0.0%	122,030	0.0%	122,040	0.0%
	02597 Montana Healthy Kids Initiative	5,556,738	1.1%	16,318,091	2.6%	17,961,931	2.7%
	02772 Tobacco Hlth & Medicd Initiative	13,978,482	2.9%	14,209,073	2.2%	14,211,846	2.1%
	02789 6901-Chip/Mcha Tobacco Sett Fd	4,922,406	1.0%	4,921,717	0.8%	4,921,534	0.7%
	02987 Tobacco Interest	2,285,163	0.5%	3,372,301	0.5%	3,382,529	0.5%
	02989 69010-Hospital Utilization Fee	18,508,647	3.8%	22,660,858	3.5%	22,785,989	3.4%
03000	Total Federal Special Funds	376,209,971	77.1%	448,209,844	70.2%	476,223,701	70.7%
	03426 Chip Program Fed	36,236,181	7.4%	67,158,965	10.5%	70,984,678	10.5%
	03580 6901-93.778 - Med Adm 50%	5,509,043	1.1%	6,637,278	1.0%	6,800,534	1.0%
	03582 93.778 - Med Ben 100%	32,499,158	6.7%	48,748,737	7.6%	60,935,921	9.0%
	03583 93 778 - Med Ben Fmap	301,723,566	61.8%	325,408,851	51.0%	337,246,534	50.1%
	03611 6901-03 Indrct Activty Prog 11	242,023	0.0%	256,013	0.0%	256,034	0.0%
Grand	Total	$ 488,145,127	100.0%	$ 638,550,308	100.0%	$ 673,392,063	100.0%

The division is funded from a combination of general fund, state special revenue, and federal funds. General fund is used to pay a portion of the state match for Medicaid services and Medicaid program administration.

Sources of state special revenue and what each supports are:

- Cigarette and tobacco tax health and Medicaid initiatives pays state match for Medicaid services and the Big Sky Rx program (assistance to low-income persons to pay premiums for Medicare Part D prescription drug coverage)
- Insurance premium taxes to pay a portion of the state match for Medicaid and CHIP federal grant funds for Healthy Montana Kids
- Tobacco settlement funds and interest income from the tobacco settlement trust for state Medicaid match and state match for the CHIP grant

The 2013 biennium fund balances for the state special revenue sources that fund HRD services are discussed in the agency overview since the accounts support several DPHHS functions and the Insure Montana program (premium assistance and tax credits for small employers that provide group health insurance) administered by the State Auditor's Office.

LFD ISSUE

HMK Funding

HMK/CHIP is funded from the federal CHIP grant and the state match is paid from several state special revenue sources. As discussed earlier, the costs for enrollment in HMK/CHIP above the November 2008 level can be funded from the insurance premium tax state special revenue account. The remaining two of the sources – tobacco settlement funds and tobacco settlement trust fund interest – pay for base level HMK/CHIP enrollment and also support other programs throughout the department. The fund balance for these accounts is summarized in the agency overview.

Tobacco Settlement Funds Over Budgeted

Tobacco settlement revenues are over appropriated in the executive budget. State special revenue for base level funding for HMK/CHIP services is over budgeted by $0.8 million to $3.0 million in FY 2012 and by $1.8 million to $4.1 million in FY 2013 in the executive budget request. The shortfall has a wide variance because the account was over expended in FY 2010 and DPHHS received a general fund loan that is to be repaid in FY 2011. However, the account may be over expended by $2.2 million in FY 2011. If the over expenditures are not addressed through spending reductions or provision of alternative funding sources, the account could start the 2013 biennium in a deficit situation.

The legislature can consider two options related to this issue.

- Request that DPHHS staff identify options to alter services available or increase cost sharing to lower HMK/CHIP costs
- Request that the executive identify other options for consideration by the legislature

There are two federal funding sources – state Medicaid matching funds and the federal CHIP grant. This division administers entitlement Medicaid services, meaning that persons who are deemed eligible for services must receive the services if they are medically necessary. The CHIP grant is a fixed federal grant that must be matched. The state has two years to spend the federal CHIP grant.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	64,901,357	64,901,357	129,802,714	53.59%	488,145,127	488,145,127	976,290,254	74.42%
Statewide PL Adjustments	29,770,889	29,771,076	59,541,965	24.58%	461,640	460,159	921,799	0.07%
Other PL Adjustments	32,210,638	20,268,479	52,479,117	21.67%	144,889,709	179,747,735	324,637,444	24.74%
New Proposals	187,864	191,358	379,222	0.16%	5,053,832	5,039,042	10,092,874	0.77%
Total Budget	**$127,070,748**	**$115,132,270**	**$242,203,018**		**$638,550,308**	**$673,392,063**	**$1,311,942,371**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012 FTE	Fiscal 2012 General Fund	Fiscal 2012 State Special	Fiscal 2012 Federal Special	Fiscal 2012 Total Funds	Fiscal 2013 FTE	Fiscal 2013 General Fund	Fiscal 2013 State Special	Fiscal 2013 Federal Special	Fiscal 2013 Total Funds
Personal Services					633,422					630,41
Vacancy Savings					(179,736)					(179,61
Inflation/Deflation					(5,068)					(4,94
Fixed Costs					13,022					14,30
Total Statewide Present Law Adjustments		**$29,770,889**	**$586,112**	**($29,895,361)**	**$461,640**		**$29,771,076**	**$679,649**	**($29,990,566)**	**$460,15**
DP 11001 - Med Ben - Physical Health Caseload	0.00	23,455,855	3,946	58,460,352	81,920,153	0.00	25,728,600	3,999	71,669,148	97,401,74
DP 11002 - Med Ben - Medicare Buy-In Caseload	0.00	928,553	0	1,817,834	2,746,387	0.00	1,187,584	0	2,278,803	3,466,38
DP 11003 - Med Ben - For Wrkrs w/Disab. Caseload	0.00	38,584	0	75,537	114,121	0.00	90,056	0	172,807	262,86
DP 11004 - Med Ben - Breast & Cerv Cancer Caseload	0.00	23,310	0	75,461	98,771	0.00	35,661	0	113,236	148,89
DP 11005 - FMAP Adj - HRD Medicaid	0.00	2,569,918	0	(2,569,918)	0	0.00	3,879,402	0	(3,879,402)	
DP 11008 - Med Ben - Clawback Caseload	0.00	2,033,190	0	0	2,033,190	0.00	3,115,190	0	0	3,115,19
DP 11009 - Med Ben - IHS Caseload	0.00	0	0	16,249,579	16,249,579	0.00	0	0	28,436,763	28,436,76
DP 11010 - FMAP Adj - Clawback	0.00	4,198,641	0	0	4,198,641	0.00	4,198,641	0	0	4,198,64
DP 11011 - Hospital Cost Rpt Audit Contract Increases	0.00	125,000	0	125,000	250,000	0.00	125,000	0	125,000	250,00
DP 11016 - EFMAP Adj - HMK	0.00	0	325,277	(325,277)	0	0.00	0	418,849	(418,849)	
DP 11017 - HMK - CHIP - Caseload	0.00	0	4,235,670	13,712,087	17,947,757	0.00	0	5,107,638	16,218,619	21,326,25
DP 11020 - Med Ben - HMK Expansion Caseload	0.00	0	5,433,863	17,590,984	23,024,847	0.00	0	6,018,907	19,112,228	25,131,13
DP 11022 - CPI - MMIS Components	0.00	106,547	0	314,990	421,537	0.00	161,827	0	478,415	640,24
DP 11023 - Med Ben Hold Harmless Account - OTO	0.00	0	0	0	0	0.00	(16,984,522)	16,984,522	0	
DP 11112 - Hospital Utilization Fee Authority	0.00	0	4,152,211	(7,143,525)	(2,991,314)	0.00	0	4,277,342	(7,783,769)	(3,506,427
DP 11113 - Administrative Claiming - MAC & MAM	0.00	0	0	145,000	145,000	0.00	0	0	145,000	145,00
DP 11122 - Reduction to HRD Base	0.00	(307,268)	0	0	(307,268)	0.00	(307,268)	0	0	(307,268
DP 11123 - Re-establish Medicaid Hospital Services Base	0.00	307,268	0	0	307,268	0.00	307,268	0	0	307,26
DP 55140 - 17-7-140 Reduction -Pharm Savings w/SMAC Prgm	0.00	(1,268,960)	0	0	(1,268,960)	0.00	(1,268,960)	0	0	(1,268,960
Total Other Present Law Adjustments	**0.00**	**$32,210,638**	**$14,150,967**	**$98,528,104**	**$144,889,709**	**0.00**	**$20,268,479**	**$32,811,257**	**$126,667,999**	**$179,747,73**
Grand Total All Present Law Adjustments	**0.00**	**$61,981,527**	**$14,737,079**	**$68,632,743**	**$145,351,349**	**0.00**	**$50,039,555**	**$33,490,906**	**$96,677,433**	**$180,207,89**

Statewide Present Law Funding Shift

HRD statewide present law adjustments include a funding shift that increases general fund by $29.0 million and reduces federal Medicaid matching funds by a like amount. This base adjustment was authorized in HB 645 to take into account the general fund increase that is necessary in the 2013 biennium due to discontinuation of the 10% temporary increase in the federal Medicaid matching rate during FY 2010. All Medicaid services and foster care services include this adjustment. The total adjustment is summarized in the agency overview.

Program Personal Services Narrative

- **Pay Plan Exceptions** – None
- **Vacancy** - Ongoing vacancies have increased overtime, contributed to delays in client application processing and subsequent delays in delivery of client benefits, and increased employee workload and stress. Supervisors are carrying increasingly heavy workloads across all agency programs to cope with staff vacancies and as new

employees are trained to be fully productive in their positions.

- o **Pay/Position Changes** – Two positions were reclassified resulting in pay increases.
- o **Retirements** – About one-half (40 FTE) of HRD employees are eligible for retirement. Three employees retired as of the end of FY 2010. Retirements of six employees are anticipated in the coming biennium with a potential liability of $53,130.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals

	Fiscal 2012					Fiscal 2013				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11014 - Health Care Reform Rebate Reduction										
11	0.00	0	791,154	1,548,846	2,340,000	0.00	0	801,684	1,538,316	2,340,000
DP 11027 - Med Ben - Indian Property Exclusion										
11	0.00	262,543	0	513,982	776,525	0.00	266,037	0	510,488	776,525
DP 11029 - Med Ben - Family Planning										
11	5.00	0	295,984	295,982	591,966	5.00	0	295,682	295,682	591,364
DP 11119 - Med Ben - Restore Adult Transplants										
11	0.00	0	253,575	496,425	750,000	0.00	0	256,950	493,050	750,000
DP 11121 - Make Temporary HMK FTE Permanent										
11	15.00	0	158,125	511,895	670,020	15.00	0	157,071	498,761	655,832
DP 55411 - 4% Personal Services Budget Reduction										
11	0.00	(24,772)	0	0	(24,772)	0.00	(24,772)	0	0	(24,772)
DP 55420 - 17-7-140 Operation Efficiencies										
11	0.00	(49,907)	0	0	(49,907)	0.00	(49,907)	0	0	(49,907)
Total	**20.00**	**$187,864**	**$1,498,838**	**$3,367,130**	**$5,053,832**	**20.00**	**$191,358**	**$1,511,387**	**$3,336,297**	**$5,039,042**

Sub-Program Details
MEDICAID 01

Sub-Program Proposed Budget
The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	43.50	0.00	5.00	48.50	0.00	5.00	48.50	48.50
Personal Services	2,267,940	402,841	252,399	2,923,180	402,105	251,797	2,921,842	5,845,022
Operating Expenses	6,149,091	858,289	264,888	7,272,268	1,078,292	264,888	7,492,271	14,764,539
Benefits & Claims	427,736,071	103,100,568	3,866,525	534,703,164	132,255,101	3,866,525	563,857,697	1,098,560,861
Total Costs	**$436,153,102**	**$104,361,698**	**$4,383,812**	**$544,898,612**	**$133,735,498**	**$4,383,210**	**$574,271,810**	**$1,119,170,422**
General Fund	64,901,357	61,981,527	187,864	127,070,748	50,039,555	191,358	115,132,270	242,203,018
State/Other Special	32,143,371	4,157,524	1,340,713	37,641,608	21,267,242	1,354,316	54,764,929	92,406,537
Federal Special	339,108,374	38,222,647	2,855,235	380,186,256	62,428,701	2,837,536	404,374,611	784,560,867
Total Funds	**$436,153,102**	**$104,361,698**	**$4,383,812**	**$544,898,612**	**$133,735,498**	**$4,383,210**	**$574,271,810**	**$1,119,170,422**

Sub-Program Description
The Medicaid sub-program administers Medicaid physical health services such as hospital, physician, and pharmacy services. It is the single largest component of the HRD division budget with an annual request over half a billion dollars. Compared to FY 2010 base expenditures, present law adjustments add $238.1 million total funds ($112.1 million general fund).

A significant portion of the general fund change is due to discontinuation of the temporary 10% increase in the federal Medicaid match rate. HB 645 allowed the Office of Budget and Program Planning to increase general fund and reduce federal funds in the FY 2010 adjusted base budget equal to the 10% match rate change. The effect for the Medicaid sub-program was about $29.0 million in general fund with a like reduction in federal funds.

The Medicaid Services sub-program budget includes a request for 5.00 FTE to implement an expansion of family planning services.

Medicaid services caseload estimates are discussed in the agency overview.

Budget Summary by Category
The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	64,901,357	64,901,357	129,802,714	53.59%	436,153,102	436,153,102	872,306,204	77.94%
Statewide PL Adjustments	29,770,889	29,771,076	59,541,965	24.58%	444,593	445,155	889,748	0.08%
Other PL Adjustments	32,210,638	20,268,479	52,479,117	21.67%	103,917,105	133,290,343	237,207,448	21.19%
New Proposals	187,864	191,358	379,222	0.16%	4,383,812	4,383,210	8,767,022	0.78%
Total Budget	**$127,070,748**	**$115,132,270**	**$242,203,018**		**$544,898,612**	**$574,271,810**	**$1,119,170,422**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					514,123					513,359
Vacancy Savings					(111,282)					(111,254)
Inflation/Deflation					(533)					(518)
Fixed Costs					42,285					43,568
Total Statewide Present Law Adjustments		**$29,770,889**	**$1,367**	**($29,327,663)**	**$444,593**		**$29,771,076**	**$1,379**	**($29,327,300)**	**$445,155**
DP 11001 - Med Ben - Physical Health Caseload	0.00	23,455,855	3,946	58,460,352	81,920,153	0.00	25,728,600	3,999	71,669,148	97,401,747
DP 11002 - Med Ben - Medicare Buy-In Caseload	0.00	928,553	0	1,817,834	2,746,387	0.00	1,187,584	0	2,278,803	3,466,387
DP 11003 - Med Ben - For Wrkrs w/Disab. Caseload	0.00	38,584	0	75,537	114,121	0.00	90,056	0	172,807	262,863
DP 11004 - Med Ben - Breast & Cerv Cancer Caseload	0.00	23,310	0	75,461	98,771	0.00	35,661	0	113,236	148,897
DP 11005 - FMAP Adj - HRD Medicaid	0.00	2,569,918	0	(2,569,918)	0	0.00	3,879,402	0	(3,879,402)	0
DP 11008 - Med Ben - Clawback Caseload	0.00	2,033,190	0	0	2,033,190	0.00	3,115,190	0	0	3,115,190
DP 11009 - Med Ben - IHS Caseload	0.00	0	0	16,249,579	16,249,579	0.00	0	0	28,436,763	28,436,763
DP 11010 - FMAP Adj - Clawback	0.00	4,198,641	0	0	4,198,641	0.00	4,198,641	0	0	4,198,641
DP 11011 - Hospital Cost Rpt Audit Contract Increases	0.00	125,000	0	125,000	250,000	0.00	125,000	0	125,000	250,000
DP 11022 - CPI - MMIS Components	0.00	106,547	0	314,990	421,537	0.00	161,827	0	478,415	640,242
DP 11023 - Med Ben Hold Harmless Account - OTO	0.00	0	0	0	0	0.00	(16,984,522)	16,984,522	0	0
DP 11112 - Hospital Utilization Fee Authority	0.00	0	4,152,211	(7,143,525)	(2,991,314)	0.00	0	4,277,342	(7,783,769)	(3,506,427)
DP 11113 - Administrative Claiming - MAC & MAM	0.00	0	0	145,000	145,000	0.00	0	0	145,000	145,000
DP 11122 - Reduction to HRD Base	0.00	(307,268)	0	0	(307,268)	0.00	(307,268)	0	0	(307,268)
DP 11123 - Re-establish Medicaid Hospital Services Base	0.00	307,268	0	0	307,268	0.00	307,268	0	0	307,268
DP 55140 - 17-7-140 Reduction -Pharm Savings w/SMAC Prgm	0.00	(1,268,960)	0	0	(1,268,960)	0.00	(1,268,960)	0	0	(1,268,960)
Total Other Present Law Adjustments	**0.00**	**$32,210,638**	**$4,156,157**	**$67,550,310**	**$103,917,105**	**0.00**	**$20,268,479**	**$21,265,863**	**$91,756,001**	**$133,290,343**
Grand Total All Present Law Adjustments	**0.00**	**$61,981,527**	**$4,157,524**	**$38,222,647**	**$104,361,698**	**0.00**	**$50,039,555**	**$21,267,242**	**$62,428,701**	**$133,735,498**

DP 11001 - Med Ben - Physical Health Caseload - This request adds $179.3 million in total funds, including $49.2 million general fund and $130.1 million in federal funds for projected changes in the number of persons eligible for services, service utilization, and patient acuity levels. Examples of caseload services are: inpatient, outpatient, dental, pharmacy, and physicians.

LFD COMMENT

The executive request for Medicaid services is discussed in the agency overview.

DP 11002 - Med Ben - Medicare Buy-In Caseload - This proposal adds $6.2 million, including $2.1 million general fund, for expected increases in premiums for Medicare Part A (inpatient care) and Part B (outpatient services). The state Medicaid program purchases Medicare coverage for persons eligible for both programs. Medicare then covers the cost of most services for the individual. Medicaid is only liable for the costs of non-Medicare covered services and for some co-insurance and deductibles related to services utilized. Base expenditures were $24.5 million.

DP 11003 - Med Ben - For Wrkrs w/Disab. Caseload - The legislature approved implementation of a Medicaid buy-in program for workers with disabilities. Montana's eligibility standards cover people with incomes up to 250% of the federal poverty level. This program allows workers with disabilities, whose resources or income exceeds the limits for eligibility under existing coverage groups, to qualify for Medicaid. The program eliminates a significant barrier, which prevented people from working due to loss of comprehensive health care coverage.

LFD COMMENT

Expanded Justification

LFD staff met with OBPP and DPHHS staff to identify budget requests that would be augmented by an expanded justification. Continuation of Medicaid benefits for workers with disabilities was included in that list. LFD has not received an expanded justification and has asked that one be developed for legislative consideration. This issue is discussed in greater detail in the agency overview.

DP 11004 - Med Ben - Breast & Cerv Cancer Caseload - This present law adjustment adds $247,668 for the biennium including $58,971 general fund and $188,697 in federal funds for the breast and cervical cancer treatment program. Base expenditures were $4.9 million. The Medicaid program provides health care coverage for those individuals screened through the Montana Breast and Cervical Health (MBCH) program, who are diagnosed with breast and/or cervical cancer or pre-cancer. The individual must also be under 65 years of age, uninsured, and have a family gross income at or below 200% of the federal poverty level. Individuals eligible under this program are covered for health care services under the basic Medicaid program for the duration of treatment - the same coverage that is provided under the FAIM (Families Achieving Independence in Montana) program.

DP 11005 - FMAP Adj - HRD Medicaid - This request adds $6.4 million in general fund offset by an equal reduction in federal funds. This funding change accounts for the increase in the state Medicaid match rate for base budget expenditures. The state match rises from about 32% to about 34%.

LFD ISSUE

Match Rate Adjustment is Too High

The executive Medicaid services request includes more general fund than required for state match for the 2013 biennium. The legislature could reduce general fund by about $0.5 million over the biennium if it accepts the Medicaid services caseload adjustments without changes.

DP 11008 - Med Ben - Clawback Caseload - This request includes $5.1 million general fund over the biennium. The Medicare Modernization Act (MMA) requires the federal government to pay prescription drug costs for Medicaid clients, who had previously been covered in part by states. States are required to reimburse a portion of state Medicaid savings due to the MMA to the federal government through a phased down contribution known as clawback, which is adjusted each year based on Montana's medical expenditures. Clawback costs are based on the number of persons eligible for both Medicare and Medicaid and a federally determined adjustment for the cost of prescription drugs. This adjustment accounts for those changes. Base budget expenditures were $9.2 million.

DP 11009 - Med Ben - IHS Caseload - The executive budget includes $44.7 million in federal funds for the projected caseload and federal rate increases as well as a major modification to the method of payment for services for the Medicaid Indian Health Services program. The establishment of rates for Indian Health Services will now be based on an encounter (per visit) rate rather than an all-inclusive rate, which covers multiple services received in one day with one billed claim. This request is 100% pass through of federal funds. Base budget expenditures were $32.5 million.

DP 11010 - FMAP Adj - Clawback - This request adds $8.4 million general fund. The American Recovery and Reinvestment Act of 2009 temporarily increased the federal Medicaid match rate by nearly 10% in FY 2010, reducing the clawback payment. Base expenditures were $9.2 million.

DP 11011 - Hospital Cost Rpt Audit Contract Increases - This proposal would add $500,000 over the biennium for hospital cost report audits, half from the general fund and half in federal funds. The audits are required by federal law and are critical for calculating items related to disproportionate share payments. Base expenditures for hospital cost reports audits were $355,200.

Disproportionate share audits were initiated in 2010, but not all annual audits were completed. The funding requested reflects additional resources in addition to the base expenditures, necessary to complete the requirements for annual audits on an ongoing basis.

DP 11022 - CPI - MMIS Components - This request adds $1.1 million total funds over the biennium, which includes $0.3 million general fund and $0.8 million federal Medicaid funds. This request reflects the pricing adjustment for 3 components (Smart PA, Impact Pro, and Enrollment Broker) of the Medicaid Management Information System (MMIS) within HRD. Together the base cost of all contracts was $1,052,408.

The current MMIS fiscal agent contract contains a pricing adjustment pegged to the increase in CPI (Consumer Price Index). The annual pricing adjustment shall not exceed 75% of the rate of increase in the cost of living as reflected in the Federal Bureau of Labor Statistics, CPI. The increase is implemented annually in July and over the prior 6 years has increased an average of 2.5% annually.

LFD COMMENT

Request Will be Lowered

This request will be revised and the amount lowered since a portion of the funding for the MMIS contract cost increase was requested in the Medicaid and Health Services Management Program.

DP 11023 - Med Ben Hold Harmless Account - OTO - This proposal adds $16.9 million in state special revenue and reduces general fund by the same amount in FY 2013 only. The state special revenue is from the Medicaid reserve account established in section 34 of HB 645. States were allowed to set aside savings due to a portion of the enhanced federal Medicaid match rate (the hold harmless component). Funds in the account must be used by the department for Medicaid benefits after June 30, 2011.

DP 11112 - Hospital Utilization Fee Authority - HRD experienced increased service demands in Medicaid hospital services beyond the budgeted benefit appropriation. Funds were available in other areas of the department. This negative decision package removes $307,268 in general fund and brings the program back to the level established by the 2009 Legislature.

Total revenues are projected to peak in FY 2011 at $82.3 million and decline in the 2013 biennium. The peak is due to the extension of the enhanced federal match rate as well as the increase in the daily fee. Total revenues are projected to decline in the 2013 biennium since the federal match rate will be about 10% to 11% lower as it returns to normal levels.

Hospital Utilization Fee Receipts, State Medicaid Match Generated and Total Funds Reimbursed to Hospitals

Year	Daily Rate	Days	State Special Rev. Match	Total Reimbursement
2009	$48.00	455,414	$21,859,872	$61,982,064
2010	48.00	443,544	21,290,112	76,397,030
2011	50.00	450,000	22,500,000	82,697,042
2012	50.00	450,000	22,500,000	67,024,129
2013	50.00	450,000	22,500,000	66,509,016

DP 11113 - Administrative Claiming - MAC & MAM - This request is for $290,000 in federal funds for the biennium. It provides funding for the administrative match claiming with the seven tribal governments. This provides a method of federal reimbursement for eligible Medicaid Title XIX outreach and administrative services, currently performed by both the school districts and tribal nations.

DP 11122 - Reduction to HRD Base - Health Resources Division experienced increased service demands in Medicaid hospital services beyond the budgeted benefit appropriation. Funds were available in other areas of the department. This negative decision package removes $307,268 in general fund from the base and brings the program back to the level established by the 2009 Legislature.

LFD COMMENT

The legislature could reduce federal matching funds if it accepts this proposal.

DP 11123 - Re-establish Medicaid Hospital Services Base - This request for $307,268 general fund each year of the biennium restores Medicaid hospital services to the FY 2010 expenditure level. This proposal offsets DP 11122.

DP 55140 - 17-7-140 Reduction -Pharm Savings w/SMAC Prgm - This proposal continues the savings from the State Maximum Allowable Cost (SMAC) program to pay the lowest cost for drugs marketed or sold by three or more manufacturers or labelers and specific brand name prescription drugs. The program was included in the 17-7-140 spending reductions implemented in the 2011 biennium. It reduces general fund by $1,268,960 each year.

LFD COMMENT

Federal Funds Could be Reduced Also

The legislature could reduce federal funds as well since pharmacy benefits are matched at a rate of about 66%. The federal reduction would be about $2.5 million per year. If the federal reduction is not made, there would be excess federal funding in the DPHHS appropriation.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals	Fiscal 2012					Fiscal 2013				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11014 - Health Care Reform Rebate Reduction										
01	0.00	0	791,154	1,548,846	2,340,000	0.00	0	801,684	1,538,316	2,340,00
DP 11027 - Med Ben - Indian Property Exclusion										
01	0.00	262,543	0	513,982	776,525	0.00	266,037	0	510,488	776,52
DP 11029 - Med Ben - Family Planning										
01	5.00	0	295,984	295,982	591,966	5.00	0	295,682	295,682	591,36
DP 11119 - Med Ben - Restore Adult Transplants										
01	0.00	0	253,575	496,425	750,000	0.00	0	256,950	493,050	750,00
DP 55411 - 4% Personal Services Budget Reduction										
01	0.00	(24,772)	0	0	(24,772)	0.00	(24,772)	0	0	(24,772
DP 55420 - 17-7-140 Operation Efficiencies										
01	0.00	(49,907)	0	0	(49,907)	0.00	(49,907)	0	0	(49,907
Total	**5.00**	**$187,864**	**$1,340,713**	**$2,855,235**	**$4,383,812**	**5.00**	**$191,358**	**$1,354,316**	**$2,837,536**	**$4,383,21**

DP 11014 - Health Care Reform Rebate Reduction - This request adds $4.7 million total funds for the biennium, including $1.6 million tobacco settlement interest state special revenue and $3.1 million federal funds. Montana had supplemental rebate agreements in place in excess of the federal minimum rebate amounts and previously collected the

state share of these rebates. Drug rebates are payments from drug companies to state Medicaid programs based on drug sales. Rebates offset the cost of Medicaid drug costs.

A change in the Patient Protection and Affordable Care Act of 2010 (PPACA) increased the minimum federal rebate in many cases from 15.1% to 23.1%. This change will result in loss of the state share of a portion of supplemental rebates that were collected. It is estimated that this change will decrease Montana's share of rebates by $2,340,000 each year.

LFD ISSUE

Use of Tobacco Settlement Interest State Special Revenue Account

The executive budget requested more state special revenue funding from the tobacco settlement trust fund interest than is projected to be available in FY 2012. This issue is discussed in more detail in the agency overview.

DP 11027 - Med Ben - Indian Property Exclusion - This request adds $1,553,050 total funds, including $528,580 general fund and $1,024,470 federal funds. Federal changes exempted certain Indian property from consideration in Medicaid eligibility determination resulting in additional persons becoming eligible for Medicaid. This change was funded from a one-time appropriation in the 2011 biennium. This request reinstates funding to continue Medicaid services.

DP 11029 - Med Ben - Family Planning - This decision package requests 5.00 FTE that would be used for the family planning program. This request is for $591,666 in state special revenue funds and $591,664 in federal funds over the biennium. The personnel would be used to perform functions for Medicaid family planning, including program development, eligibility determinations and operations. Previously Montana had submitted a waiver request to add this group prior to the passage of the Patient Protection and Affordable Care Act (PPACA) and was waiting action by the Centers for Medicaid and Medicare (CMS). Now, under the PPACA, family planning services are available as state plan services.

LFD COMMENT

DPHHS Reviewing Statutory Authority to Implement Service as a State Plan Amendment

DPHHS is reviewing whether it has the statutory authority to implement this proposal as a state plan amendment since eligibility for services would be established at 200% of the federal poverty level. If the legislature approves this request, it may wish to ask DPHHS about the outcome of the legal review.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification

The proposal would implement Montana Plan First, Montana's family planning program. The program will increase costs during the first year and will provide savings during years 2 through 5. The proposal will facilitate implementation of Montana Plan First in calendar year 2011. Montanans eligible for Plan First will receive contraceptives and associated reproductive health services, but will not be eligible for full Medicaid coverage.

The personnel would be used to perform functions for the Medicaid family planning expansion including program development, eligibility determinations and operations.

Goals

- o Improve access to and use of family planning services among Montanans in the target population.
- o Reduce number of unintended pregnancies for Montana women ages 14 through 44 who live at or below 200% of the federal poverty level.
- o Improve birth outcomes and participant health by increasing the child spacing interval among women in the target population.

Performance Criteria
At the end of each year, DPHHS will complete a program evaluation. The evaluation will include the number of individuals served and rate in expenditure growth for family planning expansion services on a per capita basis, using total expenditures recorded during the first year of the program as a baseline. The evaluation will also compare the annual rate of growth of actual expenditures with the baseline amount trended forward.

Milestones
- The number of individuals enrolled in the program.
- The estimated decrease in the number of births paid by Medicaid per 1,000 population.

FTE
This request would add 5.00 FTE to be used for the family planning program. The personnel would be used to perform functions for the Medicaid family planning including program development, eligibility determinations and operations.

Funding
This proposal is funded at the Medicaid administrative match rate of 50% tobacco settlement trust fund interest state special revenue funds and 50% federal funds.

Challenges
Outreach: DPHHS will use targeted outreach to identify potentially eligible individuals. As always, targeted outreach in Montana is challenging because of large distances between population centers and sparsely populated rural areas.

Provider training: All Medicaid providers who deliver family planning services will be able to deliver services under the program. DPHHS anticipates that private providers, health departments, family planning clinics, and Community Health Centers will provide services to eligible women. Adequate training for these providers will necessitate creative training delivery methods, such as web-based training sessions, training CDs or DVDs, and specialized claims submission training. In addition, providers must be trained in the importance of referrals for primary care services for individuals who receive family planning services under the expansion.

Risks Of No Adoption
The risk of not implementing the family planning expansion is that Medicaid will continue to pay for births to low-income and high-risk women that could have been averted if the expansion had been implemented. A decade of evaluations of state family planning programs has shown that the investment has prevented unintended pregnancies and abortions, and generated substantial cost savings for states.

DP 11119 - Med Ben - Restore Adult Transplants - This request continues Medicaid funding for a non-experimental organ or tissue transplants for adults. The 2009 Legislature approved one-time funding and this request would make coverage of those procedures permanent. This proposal adds $1.5 million total funds for the biennium, including $510,525 in health and Medicaid initiatives tobacco tax state special revenue and $989,475 in federal funds.

LFD COMMENT

2011 Biennium Costs Funded from General Fund and Request for Information

The 2011 biennium state match for Medicaid coverage of certain transplants for adults was funded from the general fund. The executive budget shifts the match to health and Medicaid initiatives state special revenue. Statutory requirements for health and Medicaid initiatives funding are for new programs so the use of funds for this purpose may not be within statutory guidelines.

Request for Information
The Legislative Finance Committee workgroup for the LFD Reference Book about general fund spending reductions requested information on transplant costs for adults and for children by type of transplant for the last several years. The information is not yet available.

DP 55411 - 4% Personal Services Budget Reduction - The Governor has included a 4% reduction in general fund personal services budgets. This decision package lowers general fund by $24,772 per year and represents a 2% contract reduction. This amount was calculated based on the anticipated general fund budgeted for personal services and will reduce operating expenses in the consultant and professional services category.

LFD COMMENT

Clarification of Reduction and Total Funding

LFD staff has requested additional information about the specific contracted services that would be reduced so that the legislature can better understand the impact of this proposal. If the reductions support Medicaid administrative costs, the legislature may wish to reduce federal matching funds if it approves this request.

DP 55420 - 17-7-140 Operation Efficiencies - This reduction lowers general fund spending by $49,907 for each year of the biennium. This amount annualizes and makes permanent the 17-7-140, MCA, 5% budget reduction put in place in the 2011 biennium. This request will eliminate the Oregon Health and Science Contract for the purpose of collaborating and weighing evidence-based benefits and design coverage. Loss of this contract reduces the capacity to develop evidence-based coverage and reimbursement policy for the Health Resources Division.

LFD COMMENT

Federal Funds Could be Reduced

The contract that will be eliminated by this reduction is funded 50% by federal funds. The legislature could consider including a like reduction in federal funds as well.

Sub-Program Details
HEALTHY MONTANA KIDS 02

Sub-Program Proposed Budget
The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	27.50	0.00	15.00	42.50	0.00	15.00	42.50	42.50
Personal Services	1,345,382	45,118	629,745	2,020,245	43,571	628,365	2,017,318	4,037,563
Operating Expenses	1,958,263	679,082	40,275	2,677,620	724,475	27,467	2,710,205	5,387,825
Equipment & Intangible Assets	2,950	0	0	2,950	0	0	2,950	5,900
Benefits & Claims	44,658,621	40,288,435	0	84,947,056	45,727,936	0	90,386,557	175,333,613
Total Costs	**$47,965,216**	**$41,012,635**	**$670,020**	**$89,647,871**	**$46,495,982**	**$655,832**	**$95,117,030**	**$184,764,901**
State/Other Special	10,863,619	10,602,539	158,125	21,624,283	12,247,250	157,071	23,267,940	44,892,223
Federal Special	37,101,597	30,410,096	511,895	68,023,588	34,248,732	498,761	71,849,090	139,872,678
Total Funds	**$47,965,216**	**$41,012,635**	**$670,020**	**$89,647,871**	**$46,495,982**	**$655,832**	**$95,117,030**	**$184,764,901**

Sub-Program Description
The Healthy Montana Kids (HMK) sub-program includes the budget authority for administration and the funding for 2 of the 3 eligibility components of HMK. Benefits or services costs for the HMK/CHIP population and for the HMK Plus expansion group of children in families with incomes between 101% to 133% of the federal poverty level are included. The services cost for the HMK Plus group of children in families with incomes lower than 100% of the federal poverty level are funded in the Medicaid Services sub-program.

The HMK budget request increases due to:

- o Per child cost increase of 6% annually and projected enrollment growth - $90.4 million
- o Addition of 15.00 FTE for program administration (20.00 FTE agency wide) - $1.3 million

The total HMK budget request (HMK sub-program and Medicaid Services sub-program component) are discussed in more detail in the HRD over view. The following issues related to HMK are discussed in the HRD summary:

- o Base level funding for HMK/CHIP services may be too low by $0.8 to $4.0 million by FY 2013 depending on FY 2011 expenditure levels
- o State special revenue set aside to fund increased enrollment in HMK will be too low to support the entire state share of costs for all eligible children in the 2013 biennium

Budget Summary by Category
The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	0	0	0	0.00%	47,965,216	47,965,216	95,930,432	51.92%
Statewide PL Adjustments	0	0	0	0.00%	40,031	38,590	78,621	0.04%
Other PL Adjustments	0	0	0	0.00%	40,972,604	46,457,392	87,429,996	47.32%
New Proposals	0	0	0	0.00%	670,020	655,832	1,325,852	0.72%
Total Budget	**$0**	**$0**	**$0**		**$89,647,871**	**$95,117,030**	**$184,764,901**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments

	Fiscal 2012 FTE	Fiscal 2012 General Fund	Fiscal 2012 State Special	Fiscal 2012 Federal Special	Fiscal 2012 Total Funds	Fiscal 2013 FTE	Fiscal 2013 General Fund	Fiscal 2013 State Special	Fiscal 2013 Federal Special	Fiscal 2013 Total Funds
Personal Services					103,056					101,441
Vacancy Savings					(57,938)					(57,870)
Inflation/Deflation					(4,607)					(4,501)
Fixed Costs					(480)					(480)
Total Statewide Present Law Adjustments		**$0**	**$607,729**	**($567,698)**	**$40,031**		**$0**	**$701,856**	**($663,266)**	**$38,590**
DP 11016 - EFMAP Adj - HMK	0.00	0	325,277	(325,277)	0	0.00	0	418,849	(418,849)	0
DP 11017 - HMK - CHIP - Caseload	0.00	0	4,235,670	13,712,087	17,947,757	0.00	0	5,107,638	16,218,619	21,326,257
DP 11020 - Med Ben - HMK Expansion Caseload	0.00	0	5,433,863	17,590,984	23,024,847	0.00	0	6,018,907	19,112,228	25,131,135
Total Other Present Law Adjustments	**0.00**	**$0**	**$9,994,810**	**$30,977,794**	**$40,972,604**	**0.00**	**$0**	**$11,545,394**	**$34,911,998**	**$46,457,392**
Grand Total All Present Law Adjustments	**0.00**	**$0**	**$10,602,539**	**$30,410,096**	**$41,012,635**	**0.00**	**$0**	**$12,247,250**	**$34,248,732**	**$46,495,982**

DP 11016 - EFMAP Adj - HMK - This proposal adds $744,126 in insurance premium tax state special revenue and reduces federal funds by a like amount. This request provides funds for the change in the increase in the state match rate for the CHIP federal grant. The state match will increase from gradually from 22.70% in FY 2010 to 23.95% in FY 2013.

DP 11017 - HMK - CHIP - Caseload - This request adds $39.2 million in total funds for HMK. The increase reflects the executive assumptions for growth in the number of children eligible for services, service utilization, and patient acuity levels. This portion of HMK cost increases is for children in families with incomes between 134%-250% of the federal poverty level (comparable to the former CHIP program).

DP 11020 - Med Ben - HMK Expansion Caseload - This request adds $48.1 million in total funds for HMK for children in families with incomes between 101%-133% of the federal poverty level. The other portion of HMK costs (children in families with incomes below 100% of the federal poverty level) is paid by and budgeted in the Medicaid Services subprogram.

LFD COMMENT	Funding for the total HMK Plus enrollment receiving Medicaid services is discussed in the division budget overview.

New Proposals
The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals	Fiscal 2012					Fiscal 2013				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11121 - Make Temporary HMK FTE Permanent										
02	15.00	0	158,125	511,895	670,020	15.00	0	157,071	498,761	655,83
Total	**15.00**	**$0**	**$158,125**	**$511,895**	**$670,020**	**15.00**	**$0**	**$157,071**	**$498,761**	**$655,83**

DP 11121 - Make Temporary HMK FTE Permanent - This request funds 15.00 FTE and includes $315,196 in state special revenue and $1,010,656 in federal funding over the biennium. The 2009 Legislature approved 24.00 FTE to implement the Healthy Montana Kids Plan (HMK) with 12 funded on a one-time basis.

LFD ISSUE

HMK FTE Funded by 2009 Legislature, Enrollment Levels, and Performance Measures

HMK FTE are allocated to HRD and to the Human and Community Services Division (HCSD) because it determines Medicaid eligibility. The 2009 Legislature funded 24.00 FTE for HMK administration. 12.00 of the FTE were permanent and the remaining 12.00 were funded on a one-time basis. The 24.00 FTE funded were allocated between the divisions. Both division budgets include base budget funding for HMK FTE and both division budgets include funding for new FTE. The figure below shows the temporary FTE allocated to both divisions, the permanent FTE funded in the base budgets, and the new proposals. Some of the FTE funded for HRD by the 2009 Legislature were not filled until late in FY 2010/early FY 2011.

Funding for FTE to Administer HMK				
Division	2011 Biennium Temp FTE	Base Budget	New Proposal	2013 Biennium Total
Health Resources	9.00	9.00	15.00	24.00
Human & Community Services	3.00	3.00	5.00	8.00
Total	12.00	12.00	20.00	32.00

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification
DPHHS continues to enroll more children in the HMK plan. The number of staff needed to determine HMK Plus (children's Medicaid) eligibility has increased due to the program regulations and policies. The process for determining eligibility is labor intensive for the HMK plan. These positions are needed for the upcoming biennium due to an increase in outreach to targeted populations. HMK received a federal grant in 2010 to assist in reaching Montana's uninsured population. HMK is also expecting an increase in applicants since the approval of the state plan amendment that allows state and university employees to be eligible for the HMK plan, along with the implementation of enrolling presumptive eligible groups.

Goals
- Maintain the current level of eligibility and enrollment services to Montana families for the HMK and HMK_Plus programs
- Continue to increase the number of children enrolled in HMK
- Continue outreach to targeted population in Montana's communities

Performance Criteria
- Maintain enrolled in accordance with milestones
- Maintain enrollment process requirements in accordance with federal standards

Milestones

Estimated HMK/CHIP and HMK Plus Medicaid expansion enrollment is 31,911 in FY 2012

FTE

This request would make 15 temporary FTE permanent positions to be used for the Healthy Montana Kids plan. The personnel would be used to perform functions for eligibility determinations and operations

Funding

This decision package will be funded at the CHIP match rate of 23.60% state special revenue in 2012 and 23.95% in 2013. The remaining funding is federal.

Risks Of No Adoption

If HMK does not have the support staff to process applications it would result in a backlog of applications with longer waiting times for enrollment.

LFD COMMENT

Enrollment Levels, Performance Measures, and One-Time Funding

Enrollment Levels

The expanded justification for this proposal lists a milestone 31,911 enrollment in FY 2012. That enrollment level is lower than the enrollment used to project costs for the executive budget request in either FY 2012 or FY 2013. The legislature may wish to change the milestone for enrollment levels if it approves this request.

Performance Measures

The performance measures listed for the new FTE do not provide measureable outcomes that would enable the legislature to evaluate the effectiveness of this proposal beyond enrollment levels. The number of children enrolled in the program may not be indicative of the value of adding additional FTE, particularly if enrollment levels are lower than projected.

One-Time Funding

If the legislature approves this request, it may wish to consider making the funding for FTE a one-time appropriation. Insurance exchanges will be implemented January 2014 (barring changes in the federal health insurance laws). An exchange is an internet based system that allows individuals to compare health insurance and purchase a policy. Exchanges will be required to determine Medicaid and CHIP eligibility or provide a transparent link to the state Medicaid and CHIP eligibility system. Additionally, eligibility determination for nonelderly, nondisabled adults will be simplified compared to current procedures. Eligibility will be determined based on income reported on federal tax forms, potentially lessening the need for FTE.

Sub-Program Description

Sub-Program Details
PRESCRIPTION DRUG PROGRAM 05

Sub-Program Proposed Budget
The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	5.00	0.00	0.00	5.00	0.00	0.00	5.00	5.00
Personal Services	246,672	5,727	0	252,399	5,125	0	251,797	504,196
Operating Expenses	339,567	(28,711)	0	310,856	(28,711)	0	310,856	621,712
Benefits & Claims	3,440,570	0	0	3,440,570	0	0	3,440,570	6,881,140
Total Costs	**$4,026,809**	**($22,984)**	**$0**	**$4,003,825**	**($23,586)**	**$0**	**$4,003,223**	**$8,007,048**
State/Other Special	4,026,809	(22,984)	0	4,003,825	(23,586)	0	4,003,223	8,007,048
Total Funds	**$4,026,809**	**($22,984)**	**$0**	**$4,003,825**	**($23,586)**	**$0**	**$4,003,223**	**$8,007,048**

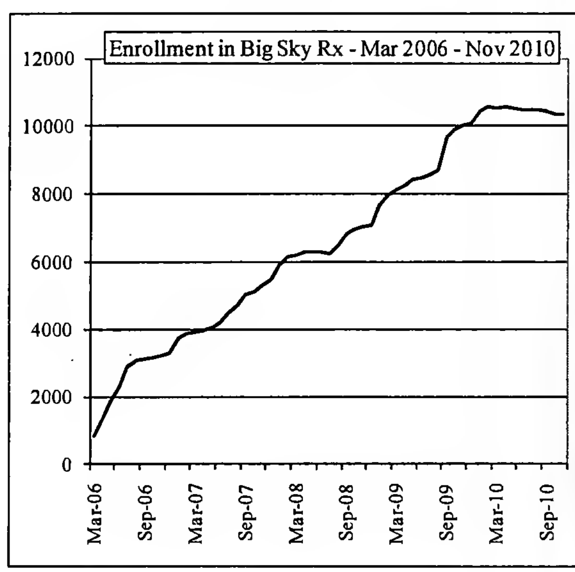
Sub-Program Description
The Prescription Drug sub-program administers two programs:

- o Big Sky Rx, a premium assistance program low-income Medicare beneficiaries to assist in the purchase of Medicare Part D prescription drug coverage ($3.4 million in benefits payments in FY 2010)
- o PharmAssist, a program that contracts with pharmacists to provide review and counseling about prescriptions ($6,300 in FY 2010)

The sub-program is funded entirely from tobacco tax health and Medicaid initiatives state special revenue. The 2013 biennium budget request continues the FY 2010 base budget less vacancy savings included in the present law statewide adjustments.

FY 2010 average monthly enrollment in Big Sky Rx was 10,008, with an average per capita assistance amount of $28.60 per month. The 2013 biennium executive budget is based on average annual enrollment of 11,000, which would yield an average per capita premium assistance amount of about $26 per month. The maximum premium assistance amount that the program will provide is $37.47 based on the regional low-income Medicaid Part D subsidy benchmark effective January 2011. Figure 28 shows Big Sky Rx enrollment from the beginning of the program through November 2010.

Figure 28



Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	0	0	0	0 00%	4,026,809	4,026,809	8,053,618	100 58%
Statewide PL Adjustments	0	0	0	0 00%	(22,984)	(23,586)	(46,570)	(0 58%)
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	**$0**	**$0**	**$0**		**$4,003,825**	**$4,003,223**	**$8,007,048**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					16,243					15,616
Vacancy Savings					(10,516)					(10,491)
Inflation/Deflation					72					72
Fixed Costs					(28,783)					(28,783)
Total Statewide Present Law Adjustments		**$0**	**($22,984)**	**$0**	**($22,984)**		**$0**	**($23,586)**	**$0**	**($23,586)**
Grand Total All Present Law Adjustments	**0.00**	**$0**	**($22,984)**	**$0**	**($22,984)**	**0.00**	**$0**	**($23,586)**	**$0**	**($23,586)**

Program Budget Comparison
The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	5.00	5.00	5.00	5.00	5.00	5.00	0.00	0.00%
Personal Services	444,575	432,582	462,194	461,263	877,157	923,457	46,300	5.28%
Operating Expenses	7,490,576	6,751,683	7,857,772	8,048,877	14,242,259	15,906,649	1,664,390	11.69%
Total Costs	**$7,935,151**	**$7,184,265**	**$8,319,966**	**$8,510,140**	**$15,119,416**	**$16,830,106**	**$1,710,690**	**11.31%**
General Fund	2,195,280	1,933,491	2,322,205	2,367,589	4,128,771	4,689,794	561,023	13.59%
State Special	38,345	25,079	36,708	39,755	63,424	76,463	13,039	20.56%
Federal Special	5,701,526	5,225,695	5,961,053	6,102,796	10,927,221	12,063,849	1,136,628	10.40%
Total Funds	**$7,935,151**	**$7,184,265**	**$8,319,966**	**$8,510,140**	**$15,119,416**	**$16,830,106**	**$1,710,690**	**11.31%**

Program Description
The Medicaid and Health Services Management Program works in conjunction with the state Medicaid director and division administrators by providing oversight and guidance on management of the Medicaid programs. It also oversees the Medicaid Management Information System (MMIS) contractor that is responsible for the processing and payment of Medicaid claims. The Medicaid and health services branch manager is attached to this program for budget purposes.

Mission – Pay Medicaid and other health claims in an accurate and timely manner.

MCA 2-4-201
ARM 37.1.101

Program Highlights

Medicaid and Health Services Management Program
Major Program Highlights

- As part of its agency reorganization DPHHS created this program by shifting FTE, costs, and funds from other divisions
- 99.5% of operational costs support IT consulting and professional services related to the MMIS contract
- The positions funded in the Governor's request include:
  - Branch manager
  - Program manager
  - Health program representative
  - 2 computer systems analysts

Major LFD Issues

- Contractual increases for MMIS have not been included in other biennia

Program Narrative
As discussed in the agency summary, DPPHS reorganized in FY 2010. The Medicaid and Health Services Management Program received funding and FTE mainly from the Director's Office to support its operations. The positions transferred include:

- o Branch manager position, which also happens to be the Medicaid state director
- o Program manager
- o Health program representative
- o 2.00 FTE computer system analysts

The 2013 biennium budget request increases 11.3% overall when compared to the 2011 biennium. The increases are driven by personal services costs and contractual increases for MMIS.

The vast majority of the costs in the new program, 94.4% of total program costs and 99.5% of the operational costs, are for IT consulting and professional services related to the MMIS contract. The Governor is requesting almost $1.0 million in additional support to provide for contractual increases in the MMIS contract. MMIS is the computer system used to process provider claims for the Medicaid and Health Services Branch, excluding the Disability Services Division.

LFD ISSUE

Contractual Increases For MMIS Have Not Been Included In Other Biennia

The MMIS contract includes a provision for contractual increases to the price of the contract driven by increases in the Consumer Price Index (CPI). The contract has been in place for the last 3 biennia. A review of executive budget requests for the various divisions that have administered the MMIS contract over the last 3 biennia shows that no contractual increases were requested in the budget.

Both Operations and Technology and the Director's Office are funded through the use of indirect cost allocations from the department's other divisions. These divisions previously housed the MMIS contract. In previous biennia the department was able to absorb the approximately $350,000 in annual contractual increases within current appropriations that are the basis of the executive budget request for the 2013 biennium budget. The Governor also requests $3.0 million in additional support in the Technology Services Division (TSD) 2013 biennium budget for other maintenance and enhancement contracts supporting legacy data systems. In one case TSD believes that the cost for expiring contracts will increase under new contracts. The other request is for a new system that was implemented in the 2011 biennium. The MMIS contract is neither new nor an expiring contract.

Option: Require the department to absorb the increase driven by increases in CPI as in other biennia.

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table
Medicaid And Health Services Management

Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	$ 2,195,280	27.7%	$ 2,322,205	27.9%	$ 2,367,589	27.8%
01100 General Fund	2,195,280	27.7%	2,322,205	27.9%	2,367,589	27.8%
02000 Total State Special Funds	38,345	0.5%	36,708	0.4%	39,755	0.5%
02220 02 Indirect Activity Prog 12	38,345	0.5%	36,708	0.4%	39,755	0.5%
03000 Total Federal Special Funds	5,701,526	71.9%	5,961,053	71.6%	6,102,796	71.7%
03305 03 Indirect Activity Prog 12	5,701,526	71.9%	5,961,053	71.6%	6,102,796	71.7%
Grand Total	$ 7,935,151	100.0%	$ 8,319,966	100.0%	$ 8,510,140	100.0%

The department shifted $1.9 million of general fund, $5.2 million in federal special revenues, and a small portion of state special revenues to this program from the Director's Office to support MMIS. The remaining funds were transferred from the Health Resources Division to fund the branch manager/state Medicaid director position.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	221.05	221.05	220.05	220.05	221.05	220.05	(1.00)	(0.45%)
Personal Services	10,810,841	11,718,957	11,418,974	11,416,875	22,529,798	22,835,849	306,051	1.36%
Operating Expenses	7,046,860	7,230,221	8,296,305	8,318,376	14,277,081	16,614,681	2,337,600	16.37%
Equipment & Intangible Assets	132,303	230,716	132,303	132,303	363,019	264,606	(98,413)	(27.11%)
Grants	8,697,634	8,881,397	8,977,830	8,994,341	17,579,031	17,972,171	393,140	2.24%
Benefits & Claims	210,905,351	216,749,712	230,669,308	232,696,334	427,655,063	463,365,642	35,710,579	8.35%
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	11,484	15,793	11,484	11,484	27,277	22,968	(4,309)	(15.80%)
Total Costs	**$237,604,473**	**$244,826,796**	**$259,506,204**	**$261,569,713**	**$482,431,269**	**$521,075,917**	**$38,644,648**	**8.01%**
General Fund	34,998,185	47,880,277	63,309,257	64,650,746	82,878,462	127,960,003	45,081,541	54.39%
State Special	28,230,568	31,455,641	29,437,405	29,806,007	59,686,209	59,243,412	(442,797)	(0.74%)
Federal Special	174,375,720	165,490,878	166,759,542	167,112,960	339,866,598	333,872,502	(5,994,096)	(1.76%)
Total Funds	**$237,604,473**	**$244,826,796**	**$259,506,204**	**$261,569,713**	**$482,431,269**	**$521,075,917**	**$38,644,648**	**8.01%**

Program Description

The Senior and Long Term Care Division (SLTC) plans, administers, and provides publicly-funded long-term care services for Montana's senior citizens and persons with disabilities. In addition, the division provides education and support regarding aging and long-term care issues to Montanans of all ages. The division makes services available through six major programs:

- The Office on Aging provides meals, transportation, public education, information and assistance, long-term care ombudsman, and other services;
- The Medicaid Community Services Program pays for in-home, assisted living, and other community-based services to Medicaid-eligible individuals as an alternative to nursing home care;
- The Medicaid Nursing Facility Program pays for care to Medicaid-eligible individuals in 81 Montana nursing homes;
- Protective services, including the investigation of abuse, neglect, and exploitation are provided by adult protective services social workers;
- Skilled nursing facility care is provided to veterans at the 105-bed Montana Veterans Home (MVH) in Columbia Falls and the 80-bed Eastern Montana Veterans Home in Glendive; and,
- The State Supplemental Payments Program pays for a portion of the room and board costs for Supplemental Security Income (SSI) eligible individuals residing in designated residential care facilities.

Statutory References: Aging Services, 52-3-201 et seq., MCA, (Protection Services Act for Aged Persons or Disabled Adults), 52-3-501 et seq., MCA, (Montana Older Americans Act), 52-3-801 et seq., MCA, (Montana Elder and Developmentally Disabled Abuse Prevention Act); P.L.89-75 (Federal Older Americans Act), P.L. 93-66 Section 212, P.L. 93-233 (authorizes states to supplement the Supplemental Security Income Amendments to the (SSI) Payments Program Social Security Act); Veteran's Homes, 10-2-401, MCA (authorizes and establishes Montana Veteran's Homes); 53-1-602, MCA (Eastern Montana Veteran's Home); Medicaid, Title 53, Chapter 6, MCA; Title 19, Social Security Act 42 USC 1396 et. seq. (establishes and authorizes Medicaid Program).

Program Highlights

Medicaid and Health Services Branch Major Budget Highlights
♦ The executive request for the 2013 biennium budget is \$38.6 million higher than the 2011 biennium due to a \$45.0 million increase in general fund that is partially offset by reductions ♦ A funding shift between general fund and federal funds due to the expiration of increased federal support for Medicaid services contained in the federal stimulus package accounts for the majority of the increased general fund. Other executive budget requests include: • Medicaid caseload adjustments totaling \$30.4 million including, \$6.7 million of general fund • Annualization of waiver service plan costs and health insurance for health care workers at an overall cost of \$5.0 million including, \$1.7 million of general fund ♦ Reductions for elimination of FTE and operational costs are included in the proposals
Major LFD Issues
♦ Nursing facility fee account over budgeted by \$2.0 million

Program Narrative

Goals and Objectives

The Legislative Finance Committee (LFC) followed two goals during the 2011 biennium for the Senior and Long-term Care Division:

- o Support Montanans in their desire to stay in their own homes or live in a smaller community based residential setting for as long as possible
- o Increase the ability of Montanans to prepare to meet their own long term care needs or the long term care needs of a relative or friend

<u>Community Based Residential Settings</u>

Progress toward meeting the goal of supporting Montanans in staying in community based residential settings, either their own homes or assisted living centers, was measured by the LFC in the 2011 interim using the following performance measurements:

- o Maintain or reduce the percentage of nursing facility residents under the age of 65
- o Increase the percentage of Montanans age 65 or older who live at home or in a small residential alternative
- o Increase the total amount of the SLTC budget that goes to community services
- o Increase the number of people served under the Medicaid Home and Community Based Waiver (HCBW) over the biennium
- o Maintain or reduce the average length of stay on the HCBW services waiting list to less than one year

At its October 2010 performance measurement LFC workgroup meeting the members determined that SLTC was on track to meet the goal of supporting Montanans in their desire to stay in community based residential settings as all of the measurements showed progress in the first year of the biennium. In addition, the workgroup recommended that the Human Services Joint Appropriation Subcommittee (subcommittee) review the goal and related performance measurements outlined above as part of its deliberations on the SLTC budget. In part, the recommendation includes

discussing with the division the impacts of potential reductions on the ability of the division to continue to make progress toward reducing more costly nursing home stays if funding for community based services:

- Remains stagnate
- Decreases as part of the agency 5% plan to reduce the base budget
- Either increases or decreases to the 5% plan are mad as a result of legislative decisions

Long Term Care Needs

Progress toward meeting the goal of increasing the ability of Montanans to prepare to meet their long term care needs was measured by the LFC in the 2011 interim using the following performance measurements:

- Maintain or increase the number of home delivered meals served through the Aging Network
- Increase the number of care givers receiving supportive services (including respite care) and increase the project income for these services
- Develop a coordinated continuing public education campaign to inform Montanans about long term care issues and options emphasizing the need for long term care planning and personal responsibility
- Increase the number of individuals taking the elderly/dependent tax credit on the state income tax return
- Increase the number of individuals claiming the long term care insurance tax deduction on state income tax returns

The LFC workgroup determined that SLTC was on track to meet its goal of increasing the ability of Montanans preparing to meet their long term care needs for the 2011 interim period at its October 2010 meeting. The workgroup also recommends that the subcommittee review this goal and its related performance measurements as part of its deliberations on the SLTC budget.

Other Changes Affecting The SLTC Outcome Measurements

As discussed above, the LFC recommends that the subcommittee review the impacts of potential reductions or other changes to the SLTC budget on the division's ability to continue to remain on track in meeting its goals. The Aging Services Program works in partnership with Area Agencies on Aging (AAA) to assist seniors in continuing to live in their communities. Over the 2011 biennium, the Aging Services Program received $1.5 million annually in one-time-only funding from the federal economic stimulus bill to provide for aging services, and an additional one-time only appropriations for similar purposes. The figure shows the one time only funding and the number of clients provided services supported by the one time only for FY 2010.

Senior and Long-term Care Division
One-time Funding for Aging Services
By Area Agency on Aging - FY 2010

			Clients Served									
Area	Location	Funding	Congregate Meals	Home Delivered Meals	Information & Referral	Senior Center	Homemaker	Personal Care	Skilled Nursing	Respite Care	Transportation	Other
Area I	Glendive	$238,605	1,062	111	2,762	1,844	0	33	0	0	0	173
Area II	Roundup	407,980	652	153	752	347	14	1	4	2	35	0
Area III	Conrad	141,647	505	212	0	257	15	0	0	27	17	30
Area IV	Helena	240,896	703	286	0	0	0	0	0	0	0	0
Area V	Butte	167,534	246	79	1,040	13	6	0	0	67	63	12
Area VI	Polson	168,358	908	135	0	0	125	0	0	20	0	70
Area VII	Tribal	0	0	0	0	0	0	0	0	0	0	0
Area VIII	Great Falls	164,865	75	27	0	0	0	0	0	0	0	0
Area IX	Kalispell	138,452	498	215	0	0	115	0	0	33	513	0
Area X	Havre	39,363	462	15	1,006	137	0	0	0	0	0	0
Area XI	Missoula	223,042	238	69	3,642	0	0	0	0	339	0	776
	Total	$1,930,742	5,349	1,302	9,202	2,598	275	34	4	488	628	1,061

This is the second biennium that the Aging Services Program has received one-time-only funding to support AAA providers. As required by state budgeting statutes, due to the designation of one-time-only, the funding supporting these services was not included in the base budget of the Aging Services Program. The executive has not requested additional funding to support these services. The subcommittee may wish to discuss the impact of the one-time-only funding on the Aging Service Program's ability to continue to meet the performance measurements:

- o Maintaining or increasing the number of home delivered meals served through the Aging Network
- o Increasing the number of care givers receiving supportive services including respite care

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

Total 5% Reduction Plan Identified by Senior and Long-term Care Division
Included and not included in Executive Budget 2013 Biennium

	FTE	General Fund	% Of Branch Total	State Special Revenue	% Of Branch Total	Federal Special Revenue	% Of Branch Total	Total Funds	% Of Branch Total
Included in Executive Budget									
55422 4% Personal Services Reduction	1.00	($185,282)	1.28%	$0	0.00%	$0	0.00%	($185,282)	1.28%
55140 Operations Reductions	0.00	(67,964)	0.47%	0	0.00%	0	0.00%	(67,964)	0.47%
55423 Eliminate PACE program	0.00	(628,918)	4.33%	0	0.00%	(1,281,966)	8.82%	(1,910,884)	13.15%
Subtotal Included in Executive Budget	1.00	(882,164)	6.07%	0	0.00%	(1,281,966)	8.82%	(2,164,130)	14.89%
Not Included in Executive Budget									
95221 3% Reduction in Medicaid Nursing Facility Budgets	0.00	(2,522,222)	17.36%	0	0.00%	(4,888,773)	33.64%	(7,410,995)	51.00%
95222 2.22% Reduction in Medicaid Home and Community Based Waiver	0.00	(476,104)	3.28%	0	0.00%	(943,828)	6.50%	(1,419,932)	9.77%
95223 2.22% Reduction in Medicaid Personal Assistance Services	0.00	(502,716)	3.46%	(682,904)	4.70%	(2,350,380)	16.17%	(3,536,000)	24.33%
Subtotal Not Included in Executive Budget	0.00	(3,501,042)	24.09%	(682,904)	4.70%	(8,182,981)	56.31%	(12,366,927)	85.11%
Total Senior and Long-term Care Division	1.00	($4,383,206)	30.16%	($682,904)	4.70%	($9,464,947)	65.14%	($14,531,057)	100.00%

It should be noted that the LFD included reductions related to general fund reduction in state special revenues and federal revenues in the table above for the reduction proposals that are not included in the Governor's 2013 budget proposal. This table is provided to assist the legislature in assessing the overall programmatic of 5% plan impacts.

The majority of the 5% base reduction - 85%, is not included in the Governor's budget request. As shown in the figure the reductions include a 3% reduction in Medicaid nursing home budgets. This reduction is a combination of two proposals:

- o Moving 100 individuals from higher cost nursing home services into lower costs community services, reducing general fund by $685,437 each year
- o Reducing the daily Medicaid reimbursements for nursing home providers by $1.56 per Medicaid day, reducing general fund by $575,674 each year

Further discussion of the various components of the 5% reduction to the base and the potential effects on services is found in the subprogram narratives of this program.

Reorganization

DPHHS reorganized division responsibilities and funding during FY 2010. SLTC transferred about $21,000 of personal services funding to the Medicaid and Health Services Management Program in FY 2010.

Changes to the SLTC Budget

The SLTC 2013 biennium budget request is $38.6 million higher than the 2011 biennium budget, including increases of $45.8 million in general fund and reductions of $0.5 million in state special revenues and $6.0 million in federal special revenues. $44.5 million of the $45.8 million increase in general fund is due to the expiration of increased federal support for Medicaid costs included in the federal stimulus package. This is discussed further in the agency summary.

The most significant change in the SLTC budget request is the increase of $35.7 million in benefits and claims, of which $30.4 million is due to caseload adjustments and $5.0 million is requested for service plan annualizations. Services provided to individuals in the Home and Community Based Services Program are authorized through an individual service plan. Individuals start services throughout the base year, requiring the costs to be annualized to reflect the full year of service costs and funding.

The majority of the increase in operating expenses ($2.3 million) is due to a request for $2.6 million in Veterans Services. The operation of the Eastern Montana Veterans' Home (EMVH) in Glendive is done through a contract with a private provider. Federal per diem reimbursements are paid to the state and then passed through to the provider. $1.7 million of the increase in operating expenses is due to an increase in the amount of the per diem reimbursements for the EMVH. The remaining increase is mainly for pharmacy and medical inflation at the Montana Veterans' Home in Columbia Falls.

SLTC Budget Request by Major Functions

While the division administers both Montana veterans' homes, the majority of its 2013 biennium budget request - 89%, is for benefits and claims under the Medicaid program, which are direct services to individuals provided throughout Montana by private providers. Figure XX shows the SLTC 2010 base budget compared to the 2013 biennium budget request.

Senior and Long-term Care Division
2010 Base Budget Expenditures and 2013 Biennium Budget Request by Major Function and Services

Function, Benefits, and Grants	FY 2010 Base Budget General Fund	FY 2010 State Special	FY 2010 Federal Special	FY 2010 Total	FY 2012 Executive Budget Request General Fund	FY 2012 State Special	FY 2012 Federal Special	FY 2012 Total	FY 2013 Executive Budget Request General Fund	FY 2013 State Special	FY 2013 Federal Special	FY 2013 Total	% of 2013 Biennial Request
Division Administration	$190,931	$60,087	$174,595	$425,613	$199,683	$60,576	$179,178	$439,437	$202,748	$60,458	$179,478	$442,684	0.17%
Medicaid Services	28,985,483	20,062,490	163,248,112	212,296,085	57,156,703	21,191,469	153,937,815	232,285,987	58,497,310	21,554,625	154,260,315	234,312,250	89.55%
Aging Services	3,919,655	0	6,725,827	10,645,482	3,918,663	0	7,028,927	10,947,590	3,918,543	0	7,044,736	10,963,279	4.20%
Veterans' Services	0	7,777,281	3,833,908	11,611,189	0	7,857,536	5,219,349	13,076,885	0	7,860,575	5,233,236	13,093,811	5.02%
Adult Protective Services	1,902,116	330,710	393,278	2,626,104	2,034,208	327,824	394,273	2,756,305	2,032,145	330,349	395,195	2,757,689	1.06%
Total Division	$34,998,185	$28,230,568	$174,375,720	$237,604,473	$63,309,257	$29,437,405	$166,759,542	$259,506,204	$64,650,746	$29,806,007	$167,112,960	$261,569,713	100.00%
Percent of Annual Budget	14.73%	11.88%	73.39%	100.00%	24.40%	11.34%	64.26%	100.00%	24.72%	11.40%	63.89%	100.00%	
Veterans' Homes													
Montana Veterans' Home	$0	$7,515,416	$2,418,837	$9,934,253	$0	$7,584,054	$2,849,751	$10,433,805	$0	$7,587,600	$2,863,284	$10,450,884	4.01%
Eastern Veterans' Home	0	261,865	1,415,071	1,676,936	0	273,482	2,369,598	2,643,080	0	272,975	2,369,952	2,642,927	1.01%
Subtotal Veterans' Homes	$0	$7,777,281	$3,833,908	$11,611,189	$0	$7,857,536	$5,219,349	$13,076,885	$0	$7,860,575	$5,233,236	$13,093,811	5.02%
Percent of Annual Budget	0.00%	3.27%	1.61%	4.89%	0.00%	3.03%	2.01%	5.04%	0.00%	3.01%	2.00%	5.01%	
Benefits													
Medicaid													
Nursing Homes	$14,782,817	$15,164,236	$100,682,462	$130,629,515	$32,626,007	$14,899,054	$93,040,043	$140,565,104	$32,849,210	$14,899,054	$91,622,036	$139,370,300	53.72%
Intergovernmental Transfer	265,182	666,915	3,172,248	4,104,345	265,182	1,848,826	5,486,081	7,600,089	265,182	2,211,982	6,137,009	8,614,173	3.11%
Home Based Services	6,992,324	2,394,147	32,293,988	41,680,459	13,679,871	2,394,147	31,468,182	47,542,200	14,650,184	2,394,147	32,705,615	49,749,946	18.67%
Waiver Services	5,660,173	1,837,192	23,846,685	31,344,050	9,242,782	1,837,192	21,691,320	32,771,294	9,390,254	1,837,192	21,543,848	32,771,294	12.58%
PACE	211,939	0	743,503	955,442	0	0	0	0	0	0	0	0	0.00%
Nurse Aide Testing	128,722	0	128,722	257,444	128,722	0	128,722	257,444	128,722	0	128,722	257,444	0.10%
State Supplement	999,000	0	0	999,000	1,008,081	0	0	1,008,081	1,008,081	0	0	1,008,081	0.39%
Adult Protective Services	38,128	0	0	38,128	28,128	0	0	28,128	28,128	0	0	28,128	0.01%
Insitutional - MVH	0	0	896,968	896,968	0	0	896,968	896,968	0	0	896,968	896,968	0.34%
Subtotal Benefits	$29,078,285	$20,062,490	$161,764,576	$210,905,351	$56,978,773	$20,979,219	$152,711,316	$230,669,308	$58,319,761	$21,342,375	$153,034,198	$232,696,334	88.92%
Percent of Annual Budget	12.24%	8.44%	68.08%	88.76%	21.96%	8.08%	58.85%	88.89%	22.30%	8.16%	58.51%	88.96%	
Grants													
Aging Grants	2,667,643	0	6,029,991	8,697,634	2,667,643	0	6,310,187	8,977,830	2,667,643	0	6,326,698	8,994,341	3.45%
Percent of Annual Budget	1.12%	0.00%	2.54%	3.66%	1.03%	0.00%	2.43%	3.46%	1.02%	0.00%	2.42%	3.44%	

Medicaid services are the majority of the division request, increasing $37.4 million over the biennium when compared to the 2010 base budget expenditures. Nursing home services and home based services are an entitlement under federal Medicaid requirements, meaning that if a person meets Medicaid eligibility criteria and the service is medically necessary, the state must pay for the service.

Skilled nursing services and related nursing home costs are the single largest Medicaid service expenditure included in the 2013 budget request under the SLTC Medicaid services program budget. The costs total $279.9 million over the biennium and are 45.5% of the total SLTC 2013 biennial budget.

County intergovernmental transfers (IGT) are listed separately under benefits and claims. Counties that support county nursing homes transfer revenues to DPHHS that are used as state matching funds to draw down additional federal Medicaid funds supporting increased nursing home rates. The rate increases funded by the IGT are considered one time by the legislature and continue only so long as counties participate and federal regulations allow the funding mechanisms to be used. IGT increases $8.0 million or 97.5% over the biennium when compared to the 2010 base expenditures. The increase is due to the expiration of increased federal Medicaid payments included in the federal stimulus package that supported IGT.

LFD COMMENT

IGT is limited through federal requirements. One of the federal requirements is that the IGT payments be limited to the Medicare Upper Payment Limit (UPL). In FY 2011 the amount of the UPL was increased allowing the Montana program to increase the funding generated through the IGT. This increase is projected to carry forward in the 2013 biennium.

Home based services include personal assistance, hospice, and home health. Personal assistance is the largest of the three services comprising over 82% of FY 2010 expenditures. Home based services increase due to:

- Projected growth in service utilization and the number of individuals - $11.8 million in total funds, $4.0 million of general fund
- Annualization of the provider rate increase to fund healthcare for healthcare workers, and funding to pay health insurance premiums for workers in the Medicaid personal assistance and private duty nursing programs - $2.2 million in total funds, $0.7 million of general fund

LFD COMMENT

The 2011 biennial appropriation for healthcare for health care workers was restricted to rate increases for contractors that provide services administered by SLTC and receive the majority of their income for those services from the Medicaid program. Providers accepting funding for healthcare for healthcare workers must fund health insurance that meets an established bench mark for all employees working a designated number of hours. SLTC estimates that in FY 2010 19 providers provided health insurance to 670 workers.

In addition to entitlement services, the Center for Medicare and Medicaid (CMS) has granted Montana two waivers from federal requirements to provide services to individuals to avoid institutionalization:

- Big sky bonanza waiver – provides individuals of all ages who have chronic disabilities with services to maintain independence
- Elderly and physically disabled waiver – targets recipients who have a physical disability, are 65 and older, and who meet the nursing home or hospital level of care requirements

The waivers allow SLTC to limit enrollment in services based on appropriated funding and to provide services that are not included in the standard array of allowable Medicaid services. Annualization of the cost plans for individuals served in the waiver programs adds $2.8 million to the 2013 biennial budget proposed by the Governor. The Governor is proposing eliminating the program for All-inclusive Care for the Elderly (PACE) included as an optional service in the Medicaid Services Program. This proposal eliminates $1.9 million in total funds over the biennium, $0.6 million in general fund. For a further discussion of PACE, see the subprogram section of this narrative.

The increase in the state Medicaid match rate discussed in the agency summary narrative does not change total funding for the Medicaid services administered by SLTC, but it does shift funding, increasing general fund by $5.0 million with a matching reduction in federal funds.

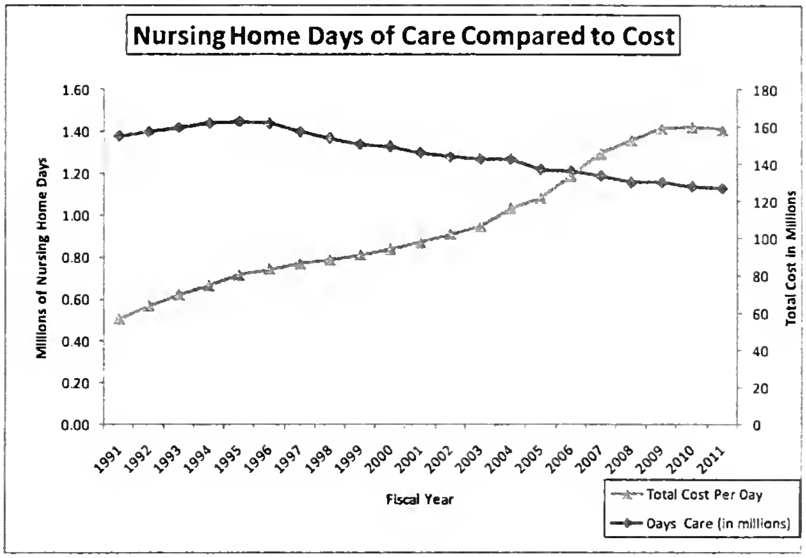
Other benefits do not increase above FY 2010 base expenditure levels in the 2013 biennium including:

- Nurse aide testing, a program to provide funds to ensure aides meet certain qualifications to work in nursing homes
- State supplement payments from the general fund made to persons eligible for federal Supplemental Security Income (SSI) payments living in certain congregate living situations such as group homes
- Adult protective services to aid victims of elder abuse, funding such services as cleaning and temporary lodging

Grants fund community aging services such as meals on wheels, congregate meals, information and assistance, and caregiver support. The funds are distributed to the 10 AAAs, who deliver community services in their respective regions.

2013 Nursing Home Costs

The number of days of nursing home care reimbursed through the Medicaid program has steadily declined over the last several years, although the total cost has not. The figure shows the days of care and total Medicaid cost for nursing homes for FY 2000 through FY 2011.



From FY 2000 through FY 2008 the number of Medicaid nursing home days reimbursed through the Medicaid program has declined an average of 1.8% per year. Between FY 2006 and FY 2010 the decline slowed somewhat to an average of 1.6% per year. The decline in Medicaid funded days of care follows a general declining trend in nursing home care statewide. Movement of individuals out of nursing homes into community waiver services has also contributed to overall declines in Medicaid funded skilled nursing care.

As shown in the figure, the total cost of nursing home care has continued to rise in spite of the reduction in days of care. The total cost rose an average of 5.2% between FY 2000 and FY 2011. The cost of care has risen for a number of reasons, including that nursing home facilities:

- Care for more medically complex and fragile patients
- Have been required to implement processes and procedures to meet federal Medicare and Medicaid regulations
- Compete with other medical providers for nursing staff
- Must sometimes hire "traveling" staff at significantly higher costs

The Medicaid rate for nursing home care has steadily increased in recognition of the medical complexity of patients and the rising cost of providing services.

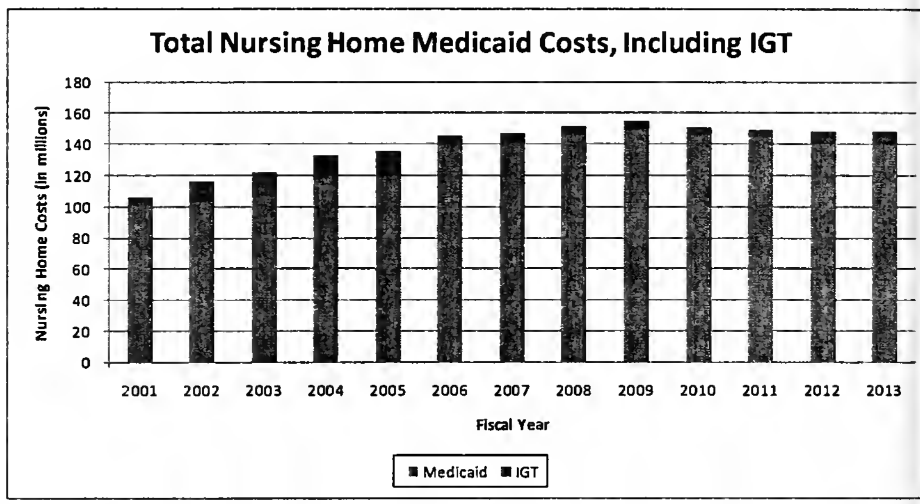
The executive 2013 biennium budget bases Medicaid nursing home costs on a projected number of bed days of 1.069 million in FY 2012, a decline of 1.42% when compared to the FY 2010 base. In FY 2013 costs are projected on 1.0596 million bed days, a decline of 0.8% when compared to FY 2012. The LFD estimates total nursing home bed days as part of the general fund estimates. LFD estimates of declines in total nursing home bed days (both Medicaid and private pay) for the same period are 2.38% in FY 2012 and 2.44% in FY 2013. Differences between the two estimates could be impacted by differences in the occupancy rates between Medicaid and private pay patients.

Senior and Long-term Care Division Nursing Home Bed Days Decline Total Bed Days as Compared to Medicaid					
Fiscal Year	LFD Total Bed Days (in Millions)	Annual % Change	Medicaid Bed Days (in Millions)	Annual % Change	Medicaid as a % of Total Bed Days
2000	2.113805		1.33		62.92%
2001	2.083501	-1.43%	1.30	-2.26%	62.39%
2002	2.072696	-0.52%	1.28	-1.54%	61.76%
2003	2.052202	-0.99%	1.27	-0.78%	61.88%
2004	2.043377	-0.43%	1.27	0.00%	62.15%
2005	1.979893	-3.11%	1.22	-3.94%	61.62%
2006	1.922617	-2.89%	1.21	-0.82%	62.94%
2007	1.844016	-4.09%	1.19	-1.65%	64.53%
2008	1.803945	-2.17%	1.16	-2.52%	64.30%
2009	1.841026	2.06%	1.14	-1.72%	61.92%
2010	1.794380	-2.53%	1.10	-3.51%	61.30%
2011	1.706900	-4.88%	1.09	-1.20%	63.67%
2012	1.666300	-2.38%	1.07	-1.64%	64.15%
2013	1.625700	-2.44%	1.06	-0.88%	65.18%

Nursing home occupancy rates have hovered in the 72 to 73% range over the last several years. Historically, Medicaid paid occupancy has averaged around 60% of total nursing home occupancy. The figure shows the total nursing home beds compared to Medicaid nursing home beds for FY 2000 through the FY 2013 budget proposals.

As shown, as a percentage of total nursing home bed days, Medicaid bed days have ranged between 61.3% to 65.2%. For the 2013 biennium, the executive estimate of Medicaid bed days are 64.15% and 65.18% of total estimated bed days, a higher percentage than in FY 2009 or FY 2010.

The figure below shows the total Medicaid costs for nursing home care from FY 2001 through the 2013 biennium budget request. FY 2008 and FY 2009 increased more rapidly due to a provider rate increase of 2.5% annually and a rate increase targeted to raise direct care worker wages up to $8.50 an hour (including benefits).



The Medicaid rate for nursing home services has two major components: 1) the state/federal share, and 2) the patient contribution. The state/federal share was 80.9% of the total rate in FY 2010 and is funded by federal Medicaid funds and state matching funds. The patient contribution includes:

- Social Security
- Other retirement fund payments
- Personal assets

The patient contribution is paid directly to the nursing home and covers a portion of the cost. Until FY 2010, the state/federal portion of the total rate had risen much faster than the average daily patient contribution. In FY 2010 the state/federal share as a percentage of the total rate declined by 1.8%.

Budgetary risks for Senior and Long-term Care Division

As discussed in the agency narrative, the major budgetary risk associated with the Medicaid estimates included in the SLTC budget is that the caseload adjustments may be under or over stated. The figure on the next page shows the expenditure totals for the major program components making up the caseload adjustments for the SLTC division over the last 10 years, including FY 2002 and FY 2003, and the projected costs for FY 2011 through FY 2013. FY 2002 and FY 2003 are significant as the state experienced its last recession during this period. Figures included for FY 2011 through FY 2013 are the executive's estimates for the amount of total funding needed for the various Medicaid programs budgeted in SLTC.

Senior and Long-term Care Division Medicaid Caseload Expenditures													
	Fiscal Year												
	Actual Expenditures										Estimated Expenditures		
Components	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
% Increase		10.1%	1.8%	7.9%	2.2%	8.9%	1.8%	5.6%	5.2%	0.9%	0.2%	-1.2%	0.9%
Total Caseload	$147,182,903	$162,057,378	$165,049,816	$178,006,488	$182,011,219	$198,258,441	$201,830,156	$213,139,034	$224,135,986	$226,243,566	$226,617,610	$223,892,616	$225,919,642
% Increase		2.5%	3.9%	11.2%	0.8%	16.9%	1.5%	3.5%	1.6%	-1.2%	-1.2%	-3.1%	-0.9%
Nursing Homes and Swing Beds	99,942,870	102,408,191	106,396,194	118,320,012	119,300,213	139,408,971	141,435,817	146,397,755	148,682,026	146,879,570	145,072,951	140,565,105	139,370,301
% Increase		126.9%	15.7%	-4.7%	6.5%	-59.4%	-4.7%	-12.2%	15.2%	-34.4%	-10.5%	107.0%	13 3%
Nursing Home IGT	6,002,081	13,618,158	15,757,761	15,024,056	16,002,187	6,490,490	6,185,563	5,428,136	6,255,429	4,104,346	3,671,830	7,600,089	8,614,173
% Increase		18.1%	-10.7%	3.1%	5.9%	14.0%	-2.6%	10.7%	17.2%	3.2%	3.3%	3 1%	5.0%
Personal Care	20,275,438	23,938,836	21,369,837	22,031,716	23,336,130	26,607,827	25,908,857	28,668,374	33,597,352	34,658,984	35,789,701	36,886,796	38,731,136
% Increase		6.4%	-2.7%	4.0%	4.7%	8.3%	7.3%	17.3%	8.3%	12.0%	2.0%	-10.8%	0.0%
HCBS Waiver	19,316,125	20,557,441	20,004,955	20,809,328	21,778,132	23,589,537	25,309,187	29,687,859	32,161,131	36,012,980	36,740,666	32,771,294	32,771,294
% Increase		-15.5%	43.9%	39.1%	-15.3%	63.1%	47.9%	-0.6%	18.0%	38.7%	20.2%	15.7%	6.8%
Hospice	688,018	581,043	836,206	1,163,072	985,597	1,607,426	2,376,791	2,361,590	2,787,787	3,867,961	4,651,223	5,383,790	5,747,196

Caseload increases for Medicaid entitlements are based on the number of individuals eligible for the services, the number of individuals anticipated to access the services, and the number and cost of Medicaid services provided throughout the period. Increases for the waiver programs in SLTC are based on legislative appropriation.

As stated earlier, nursing home facilities are 45.5% of the total projected 2013 biennium totals. As shown in the figure on the previous page, the executive assumes that these costs will decline:

- 1.2% in FY 2011
- 3.1% in FY 2012
- 0.9% in FY 2013

The average decline between FY 2006 and FY 2010 was 1.6% a year. While the average decline between FY 2011 and FY 2013 is 1.7%, slightly higher than the average for the previous 4 years, the executive assumes the majority of the reduction will occur in FY 2012, with a leveling off in FY 2013. The agency has based nursing home facility general Medicaid assumptions as discussed in the agency.

Historically, one component of the overall nursing home caseload declines is the increasing use of community based services to offset the need for institutionalization in a nursing home facility. As shown in the figure on the previous page, the executive has not requested funding for additional slots in the Home and Community Based Services Program (HCBS), one of the main programs used to provide services to individuals as an alternative to nursing home placement or hospitalization. As stated above, caseloads for waiver services are based on legislative appropriation. The 2009 Legislature funded 80 additional waiver slots in the 2011 biennium using one-time-only funding from the federal stimulus package. The reduction of 10.8% in the costs for HCBS shown in the figure is due to the elimination of the one-time-only funding in the current biennium, resulting in fewer slots for the 2013 biennium than in the 2011 biennium and a corresponding limit to the number of individuals that could transfer from the nursing home into the waiver programs. Further discussion of waiver services, current waiting lists for services, and impacts of proposals in the 5% reduction plan are included in the subprogram narrative.

Personal care services, including hospice and home health, are Medicaid entitlement services that are also used to offset the need for institutional placement. Based on the general Medicaid assumptions included in the agency narrative, the executive assumes that the caseload costs for these services will increase:

- 3.3% in FY 2011
- 3.1% in FY 2012
- 5.0% in FY 2013

With the significant 3.1% reduction budgeted in nursing home costs in FY 2012 and no offsetting large increases included for community based services, it is unclear how the executive intends to manage these caseloads. The legislature may want to better understand how the department will manage the projected caseloads to the recommended level. Note that it is estimated that a 1% increase in nursing home caseload would result in the need for an additional $1.5 million in funding, including approximately $0.5 million more in general fund.

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table
Senior & Long-Term Care

Program Funding		Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000	Total General Fund	$ 34,998,185	14.7%	$ 63,309,257	24.4%	$ 64,650,746	24.7%
	01100 General Fund	34,998,185	14.7%	63,309,257	24.4%	64,650,746	24.7%
02000	Total State Special Funds	28,230,568	11.9%	29,437,405	11.3%	29,806,007	11.4%
	02023 Private Ins. Medicaid Reim.-Ve	4,725,842	2.0%	4,698,147	1.8%	4,726,788	1.8%
	02032 Vets-I&I Lease	10,913	0.0%	10,913	0.0%	10,913	0.0%
	02053 Medicaid Nursing Home Match	1,496,882	0.6%	2,413,611	0.9%	2,776,767	1.1%
	02260 Cigarette Tax Revenue	3,100,613	1.3%	3,421,302	1.3%	3,395,582	1.3%
	02497 6901-Lien & Estate - Sltcd	650,569	0.3%	647,683	0.2%	650,208	0.2%
	02772 Tobacco Hlth & Medicd Initiative	7,731,664	3.3%	7,731,664	3.0%	7,731,664	3.0%
	02987 Tobacco Interest	831,850	0.4%	831,850	0.3%	831,850	0.3%
	02990 69010-Nursing Home Utilization	9,682,235	4.1%	9,682,235	3.7%	9,682,235	3.7%
03000	Total Federal Special Funds	174,375,720	73.4%	166,759,542	64.3%	167,112,960	63.9%
	03005 Emvh V-A Nursing Reimbursement	1,415,071	0.6%	2,369,598	0.9%	2,369,952	0.9%
	03073 Aging - Farmers Market	101,920	0.0%	101,920	0.0%	101,920	0.0%
	03112 Vets-V.A. Reimb	2,318,021	1.0%	2,748,935	1.1%	2,762,468	1.1%
	03285 Ncoa-Benefits Enrollment Cntrs	49,723	0.0%	(277)	0.0%	(277)	0.0%
	03501 64.014 - Vets St. Domic Care 1	100,816	0.0%	100,816	0.0%	100,816	0.0%
	03514 10.570 - Elderly Feeding 100%	801,884	0.3%	860,146	0.3%	863,059	0.3%
	03515 93.041 - Elder Abuse Prev 100%	25,028	0.0%	25,028	0.0%	25,028	0.0%
	03516 93.042 - Ombudsman Activity 10	73,466	0.0%	75,941	0.0%	76,066	0.0%
	03517 93.043 - Preventive Hlth 100%	104,078	0.0%	105,130	0.0%	105,183	0.0%
	03518 93.044 - Aging Sup S & Train 1	1,837,190	0.8%	1,840,980	0.7%	1,840,568	0.7%
	03519 93.045 - Aging Meals 100%	2,833,530	1.2%	3,108,657	1.2%	3,121,249	1.2%
	03537 93.779 - Hlth Info Counseling	216,914	0.1%	228,238	0.1%	228,710	0.1%
	03579 93.667 - Ssbg - Benefits	303,184	0.1%	302,660	0.1%	303,118	0.1%
	03580 6901-93.778 - Med Adm 50%	1,828,124	0.8%	1,576,682	0.6%	1,577,167	0.6%
	03583 93.778 - Med Ben Fmap	161,635,854	68.0%	152,582,594	58.8%	152,905,476	58.5%
	03666 Aging - Caregiver Iii-E	730,917	0.3%	732,494	0.3%	732,457	0.3%
Grand	Total	$ 237,604,473	100.0%	$ 259,506,204	100.0%	$ 261,569,713	100.0%

As shown, SLTC is funded by general fund and a number of state and federal special revenues. General fund increases from 14.7% of the total funding to about 24.5% over the 2013 biennium due to:

- Elimination of increased federal funding support for the Medicaid program provided in the economic stimulus package
- Increases to the state match rate needed to draw down federal Medicaid funds
- Growth in Medicaid costs

State special revenues decrease slightly as a percentage of total funding from the FY 2010 base funding level, but remain relatively constant in total. Most state revenue sources are used as a match for Medicaid services. Nursing home utilization fee revenue is the most significant source of state match, providing 3.7% of the 2013 biennium funding request. Some of the fee revenue is deposited into the general fund, but the majority of the fee is deposited into the state special revenue account appropriated to the SLTC division.

LFD ISSUE

Nursing Facility Fee Account Over Budgeted by $2.0 Million

Qualified nursing facilities are required to pay a nursing facility utilization fee of $8.30 for each bed day in the facility. Nursing facilities are licensed by DPHHS and include those operated for profit or non-profit, freestanding or part of another health facility, and publicly or privately owned. The funds are distributed:

- $5.50 per bed day to the nursing facility fee account to increase the average price paid for Medicaid nursing home services
- $2.80 per bed day to the general fund

LFD ISSUE CONT.

The fees offset the amount of general fund needed to support Medicaid nursing home costs. The figure below shows the fund balance, estimated revenues adopted by the Revenue and Transportation Interim Committee (RTIC), and expenditures as proposed in the Governor's budget for FY 2011 through FY 2013 and actual revenues and expenditures for FY 2010.

Senior and Long-term Care Division Medicaid Nursing Home Match				
Fund Balance Deposits/Expenditures	Actual FY 2010	Appropriated FY 2011	Executive Request FY 2012	FY 2013
Beginning Fund Balance	$0	$219,394	($422,387)	($1,096,622)
Revenue/Transfers In*				
Reimbursements	9,902,647	9,233,000	9,008,000	8,786,000
Expenditures/Transfers Out				
Medicaid Ben Nursing Homes	9,682,235	9,874,781	9,682,235	9,682,235
Adjustment	(1,018)	0	0	0
Ending Fund Balance	$219,394	($422,387)	($1,096,622)	($1,992,857)

* Revenues as adopted by the Revenue and Transportation Interim Committee, 11/19/10

As shown in the figure the nursing facility fee account is over appropriated in the executive budget by $2.0 million over the 2013 biennium. The over appropriation is due to appropriations exceeding revenues in FY 2011, FY 2012, and FY 2013.

Generally expenditures from a state special revenue account cannot exceed revenue. As part of the budgeting process, OBPP requires agencies to comment on any funds that appear to be over appropriated in FY 2011. The process used by OBPP did not identify the nursing facility fee account as an account for review because OBPP estimates for nursing home utilization fees are substantially higher than those adopted by the RTIC on November 19, 2010.

The budgetary risk for the legislature associated with this account is that, due to the Medicaid nursing home services being an entitlement, to offset decreased revenues in this state special revenue account the agency would need to either use additional general fund of the $2.0 million between FY 2011 and FY 2013 or reduce costs in other areas to generate additional general fund for support. To address the shortfalls, program spending in all three fiscal years must be addressed.

Options:

- Request that the Senior and Long-term Care Division present a plan to address spending reductions or the use of other funds in FY 2011, FY 2012, and FY 2013 that will offset $2.0 million in over budgeting of the nursing home fee account. The plan could then be adopted by the subcommittee to ensure revenues match expenditures for the 2013 biennium
- Reduce appropriations for the SLTC division and allow the division to allocate the reductions as needed

Other significant sources of state Medicaid matching funds include:

- Health and Medicaid initiative tobacco tax revenue, about 3% of total SLTC funding
- County intergovernmental transfer revenues (used as Medicaid nursing home state match), increasing to about 1% of total funding due to the expiration of the enhanced federal participation in the Medicaid program

Additional information on the health and Medicaid initiative state special revenue account is discussed in the agency overview as it supports Medicaid and health initiatives throughout the agency as well as health insurance in the Insure Montana Program administered by the State Auditor's Office.

County intergovernmental transfer revenues (IGT) are used as state match to draw down additional federal funds to augment payments to nursing homes for Medicaid eligible services. The revenue source has been declining due to:

- Federal regulations limiting the use of Medicaid payments received from IGT
- A reduction in the number of Montana counties participating in the program

Montana has one of the few federally approved intergovernmental transfer programs in the western region. Rate

increases to nursing homes are considered one time and not continuing.

Lien and estate funds are reimbursements from the estates of persons who receive Medicaid services (53-6-143, MCA). The funds are collected by the Quality Assurance Division (QAD) as part of its review and work to reduce costs to the Medicaid system. Funding from lien and estate funds is used to offset QAD costs, support adult protective services, and provide a small portion of nursing home state Medicaid matching funds.

Cigarette tax revenue, veterans' interest and income, private insurance, Medicare, and Medicaid reimbursement for services support the Montana veterans' homes. These funding sources are 3.1% of total division funding in the 2013 biennial budget and are not used as state matching funds for the Medicaid program.

Cigarette Tax Revenue

The figure below shows the estimated fund balance in the cigarette state special revenue account allocated as support to veterans' services and the projected transfer to the general fund. Approximately 8.3% of cigarette taxes collected are deposited into this state special revenue account. Statute requires that amounts in excess of $2.0 million in the veterans' portion of the cigarette tax fund be transferred to the state's general fund at the end of the fiscal year.

Senior and Long-term Care Division
Veterans' Services
Cigarette Tax Fund Balance

Fund Balance Deposits/Expenditures	Actual FY 2010	Appropriated FY 2011	Executive Request FY 2012	Executive Request FY 2013
Beginning Fund Balance*	$2,262,977	$1,638,207	$1,115,288	$2,000,000
Revenue/Transfers In**				
Cigarette Tax	6,055,087	6,083,000	5,974,506	5,785,017
Other Deposits				
	6,055,087	6,083,000	5,974,506	5,785,017
Expenditures/Transfers Out				
Veterans' Homes Operations				
Montana Veterans' Home	2,793,334	2,966,365	3,087,244	3,062,149
Eastern Montana Veterans' Home	301,580	298,220	273,482	272,975
Long-range Building				
Montana Veterans' Home	1,131,617	-	-	-
DPHHS Administrative Costs				
DPHHS Cost Allocated Admin	268,972	387,749	312,008	361,929
SLTC Division Admin Cost	60,205	95,931	60,576	60,458
Pay Plan and Retirement Costs	-	-	-	-
Subtotal Expenditures	4,555,708	3,748,265	3,733,310	3,757,511
Annual Rate of Increase				
Other				
Long Range Building Appropriations	(533,920)	(522,920)	(522,920)	(522,920)
Transfer to the General Fund	(1,590,230)	(2,334,735)	(833,564)	(1,504,587)
Subtotal Other	(2,124,149)	(2,857,655)	(1,356,484)	(2,027,507)
Ending Fund Balance	$1,638,207	$1,115,288	$2,000,000	$2,000,000

* Statute requires that unexpended cash balances in excess of $2.0 million be deposited into the state's general fund.
** Revenue based on revenue estimates adopted by the Revenue and Transportation Interim Committee adopted November 19, 2010.

It should be noted that cigarette taxes are a declining revenue source. LFD estimates that sales will decline by 3.2% in the 2013 biennium due to continued awareness of the health risks associated with smoking. Services supported by the cigarette tax include:

- Operational costs of the two Montana veterans' homes

- Long-range building projects for the veterans' homes
- Indirect costs of DPHHS

While long-range building projects for the veterans' homes are not proposed by the executive for the 2013 biennium, several ongoing projects remain open. The funds appropriated for these projects are shown under other in the figure on the previous page and represent uses of the state special revenue funds that affect the cash available for transfer to the general fund. If the projects are completed in the next biennium at a lower cost, additional funds will be available to either support veterans' home operations or transfer into the general fund. Transfers to the general fund decline significantly in FY 2012 due to:

- A beginning fund balance below $2.0 million in FY 2012
- Projected revenue declines for cigarette taxes
- Increased operational costs at the Montana Veterans' Home in Columbia Falls
- Increased administrative costs for DPHHS

Amounts paid for indirect costs, DPHHS centralized services, and some statewide centralized services continue to rise as a cost to the cigarette tax, from $269,000 in FY 2010 to an estimated $349,500 in FY 2013. Indirect costs as a portion of state special revenue funds are increasing throughout the agency and are discussed further in the agency narrative.

In addition to 8.3% in cigarette taxes allocated to support veterans' services, the 2009 Legislature passed HB 213, which temporarily established a 1.2% distribution to a separate account for the 2011 biennium to fund a state veterans' home in southwestern Montana. This allocation is not included in the figure on the previous page.

Federal funds decrease significantly as a percentage of total funding between the FY 2010 base budget and the 2013 biennium budget, from 73% to about 64%, respectively. The majority of the reduction is due to the elimination of increased federal support for Medicaid services provided in the federal stimulus package. This reduction reduces Medicaid benefits provided through the federal medical assistance percentage (FMAP) calculation from 68% of the total division funding in FY 2010 to about 58.5% over the 2013 biennium.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	34,998,185	34,998,185	69,996,370	54.70%	237,604,473	237,604,473	475,208,946	91.20%
Statewide PL Adjustments	22,743,139	22,740,519	45,483,658	35.55%	109,883	119,924	229,807	0.04%
Other PL Adjustments	5,975,033	7,319,142	13,294,175	10.39%	22,834,160	24,887,173	47,721,333	9.16%
New Proposals	(407,100)	(407,100)	(814,200)	(0.64%)	(1,042,312)	(1,041,857)	(2,084,169)	(0.40%)
Total Budget	**$63,309,257**	**$64,650,746**	**$127,960,003**		**$259,506,204**	**$261,569,713**	**$521,075,917**	

An adjustment was made to the federal funding for this division to reflect the end of the increased federal FMAP provided through the federal stimulus package in the 2011 biennium. The 2009 Legislature had anticipated and sanctioned this funding switch in HB 645, which implemented the federal stimulus in Montana. Federal funds totaling $22.2 million in the FY 2010 base expenditures have been replaced with general fund each year of the 2013 biennium in the proposed executive budget. For additional detail see the agency overview section of this narrative. Other present law adjustments and new proposals are discussed in detail in the subprogram narratives that follow.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments

	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					600,003					597,716
Vacancy Savings					(456,424)					(456,338)
Inflation/Deflation					(33,404)					(21,531)
Fixed Costs					(292)					77
Total Statewide Present Law Adjustments		**$22,743,139**	**($375,655)**	**($22,257,601)**	**$109,883**		**$22,740,519**	**($375,955)**	**($22,244,640)**	**$119,924**
DP 22101 - Med Ben - Nurse Home Caseld	0.00	1,575,221	0	8,360,368	9,935,589	0.00	1,155,352	0	7,585,433	8,740,785
DP 22102 - Nur Home FMAP Adj	0.00	1,641,322	0	(1,641,322)	0	0.00	2,284,394	0	(2,284,394)	0
DP 22104 - Med Ben - Home Based Caseload	0.00	1,616,076	0	3,163,799	4,779,875	0.00	2,393,959	0	4,593,662	6,987,621
DP 22105 - Home Based FMAP Adj	0.00	426,988	0	(426,988)	0	0.00	598,106	0	(598,106)	0
DP 22107 - HCHCW Funding Annualization	0.00	365,779	0	716,087	1,081,866	0.00	370,647	0	711,219	1,081,866
DP 22108 - HCHCW FMAP Adj	0.00	41,032	0	(41,032)	0	0.00	57,476	0	(57,476)	0
DP 22109 - Med Ben - Waiver Annualization	0.00	482,551	0	944,693	1,427,244	0.00	488,974	0	938,270	1,427,244
DP 22110 - Waiver FMAP Adj	0.00	(203,853)	0	203,853	0	0.00	(62,804)	0	62,804	0
DP 22112 - Nursing Facility IGT Spending Authority	0.00	0	1,181,911	2,313,833	3,495,744	0.00	0	1,545,067	2,964,761	4,509,828
DP 22113 - MVH Restore OT/Holidays Worked	0.00	0	508,300	0	508,300	0.00	0	508,300	0	508,300
DP 22114 - MVH - Medical & Pharmacy Inflation	0.00	0	336,312	0	336,312	0.00	0	342,058	0	342,058
DP 22115 - Increase Fed Authority for VA Per Diem MVH	0.00	0	(444,031)	444,031	0	0.00	0	(444,031)	444,031	0
DP 22116 - Increase Fed Authority for VA Per Diem EMVH	0.00	0	0	954,881	954,881	0.00	0	0	954,881	954,881
DP 22117 - Aging Grant Funding	0.00	0	0	280,196	280,196	0.00	0	0	296,707	296,707
DP 22118 - State Supplement Growth	0.00	9,081	0	0	9,081	0.00	9,081	0	0	9,081
DP 22119 - Motor Pool Car Request	0.00	27,668	0	1,003	28,671	0.00	27,668	0	1,003	28,671
DP 22120 - Non DofA rent adjustment	0.00	27,150	0	3,233	30,383	0.00	30,271	0	3,842	34,113
DP 55140 - 17-7-140 Reductions- SLTC Operations Efficiencies	0.00	(33,982)	0	0	(33,982)	0.00	(33,982)	0	0	(33,982)
Total Other Present Law Adjustments	**0.00**	**$5,975,033**	**$1,582,492**	**$15,276,635**	**$22,834,160**	**0.00**	**$7,319,142**	**$1,951,394**	**$15,616,637**	**$24,887,173**
Grand Total All Present Law Adjustments	**0.00**	**$28,718,172**	**$1,206,837**	**($6,980,966)**	**$22,944,043**	**0.00**	**$30,059,661**	**$1,575,439**	**($6,628,003)**	**$25,007,097**

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- **Pay Plan Exceptions** - None
- **Program Specific Obstacles** - For all agency programs, decreased numbers of staff and increased stress and burnout for employees has resulted in fewer internal referrals, decreased satisfaction with work/life balance, lack

of available time and resources to train and develop current staff and new recruits, and fear and uncertainty with government job stability. In combination, these factors have led to a shortage of high-level skilled workers seeking public service work with this agency. It continues to be difficult to recruit applicants with specialized skills due to the competitive labor market for certain nursing positions in the Montana Veterans' Home. The funding limitations on pay adjustments coupled with strict compliance with collective bargaining agreements restricts the division's discretion for adjusting pay rates to address these challenges.

- **Vacancy** - Occupations with historically high turnover rates in SLTC include Community Social Workers, Licensed Practical Nurses, and Registered Nurses. Ongoing vacancies have increased overtime and employee workload and stress. Supervisors are carrying increasingly heavy workloads across all agency programs to cope with staff vacancies and as new employees are trained to be fully productive in their positions.
- **Legislatively Applied Vacancy Savings** - Each agency division was given a target for personal services budget reductions. In general, vacancies were held open until the 7% savings was accomplished. However, the agency managed the vacancy savings based on ongoing assessment of what positions constituted the most critical need and allocating resources using an agency-wide strategy. Some critical positions were filled quickly while others were held open longer. Each request to fill was reviewed, evaluated, and either held open or approved to be filled by the program administrator. After approval by the administrator, each request to fill was also thoroughly scrutinized and considered for final approval by the agency director.
- **Pay/Position Changes** - None
- **Retirements** - Out of 255 total employees in SLTC, 134 or 52.5% are eligible for retirement. The division estimates 41 employees will retire in the 2011 and 2013 biennia (including actual retirements in FY 2010) at a total cost of $168,245. Planning for these vacancies is ongoing but doesn't contemplate double filling positions at this time due to budget restrictions.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals	Fiscal 2012					Fiscal 2013				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55422 - 4% Personal Svs GF Bud Reduction										
22	(1.00)	(92,641)	0	5,771	(86,870)	(1.00)	(92,641)	0	6,226	(86,415)
DP 55423 - PACE Elimination										
22	0.00	(314,459)	0	(640,983)	(955,442)	0.00	(314,459)	0	(640,983)	(955,442)
Total	**(1.00)**	**($407,100)**	**$0**	**($635,212)**	**($1,042,312)**	**(1.00)**	**($407,100)**	**$0**	**($634,757)**	**($1,041,857)**

Language and Statutory Authority

The executive recommends the following language for the division:

"County Nursing Home Intergovernmental Transfer (IGT) may be used as one-time only payments to nursing homes based on the number of Medicaid services provided. State special revenue in County Nursing Home IGT may be expended only after the Office of Budget and Program Planning has certified that the department has collected from these participating counties the amount necessary to make one-time only payments to nursing homes and to fund the base budget in the nursing facility program and the community services program at the level of $829,969."

Sub-Program Details
MEDICAID SERVICES 01

Sub-Program Proposed Budget
The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	17.59	0.00	0.00	17.59	0.00	0.00	17.59	17.59
Personal Services	1,031,329	25,690	0	1,057,019	24,914	0	1,056,243	2,113,262
Operating Expenses	1,396,533	(9,414)	(3,500)	1,383,619	(9,401)	(3,500)	1,383,632	2,767,251
Benefits & Claims	209,868,223	20,720,318	(955,442)	229,633,099	22,747,344	(955,442)	231,660,125	461,293,224
Total Costs	**$212,296,085**	**$20,736,594**	**($958,942)**	**$232,073,737**	**$22,762,857**	**($958,942)**	**$234,100,000**	**$466,173,737**
General Fund	28,985,483	28,489,179	(317,959)	57,156,703	29,829,786	(317,959)	58,497,310	115,654,013
State/Other Special	20,062,490	916,729	0	20,979,219	1,279,885	0	21,342,375	42,321,594
Federal Special	163,248,112	(8,669,314)	(640,983)	153,937,815	(8,346,814)	(640,983)	154,260,315	308,198,130
Total Funds	**$212,296,085**	**$20,736,594**	**($958,942)**	**$232,073,737**	**$22,762,857**	**($958,942)**	**$234,100,000**	**$466,173,737**

Sub-Program Description
Medicaid Services Program includes nursing home services, intergovernmental transfers, personal assistance, hospice, home health, and home and community-based waiver programs.

Nursing Facilities

There are 81 licensed nursing facilities in the state that participate in the Medicaid program (excluding state run facilities) with a total of about 6,614 beds. At any given time about 72% of the available nursing facility beds in the state are occupied. Nursing facilities are located in 43 of Montana's 56 counties, and range in size from 22 to 278 beds. Medicaid pays for about 63% of all nursing facility days of care in the state, while private payers make up 30% and Medicare/Other the remaining 7%. In FY 2010 approximately 1.14 million Medicaid funded days of nursing home care were delivered to 4,875 people.

Personal Assistance

Medicaid Personal Assistance Services consists of medically necessary in-home services provided to Medicaid recipients whose health problems cause them to be functionally limited in performing activities of daily living. In FY 2010 more than 3,200 people received personal assistance at a total cost of $40.6 million. Other Medicaid programs budgeted with personal assistance include hospice and home health.

Home and Community Based Services (HCBS)

Home and community based services are individually prescribed and arranged according to the needs of the recipient. An individual service plan is developed by a case management team in conjunction with the recipient. The service plan must meet the needs of the recipient and be cost effective. To be eligible for the HCBS program an individual must be elderly or disabled, Medicaid eligible, and require nursing facility or hospital level of care. In FY 2010, 2,457 people received HCBS services at a total cost of about $36.0 million dollars. SLTC contracts with 20 agencies to provide case management services. Case management teams are headquartered in Missoula (3), Billings, Great Falls (3), Helena (2), Bozeman, Sidney, Miles City, Kalispell (2), Butte (2), Lewistown, Roundup, Polson and Havre.

Subprogram Narrative
The Medicaid Services Program comprises the majority of the SLTC budget with 89.5% ($466.6 million) of the 2013 biennial budget. The figure on the following page lists each Medicaid service, the FY 2010 base budget, each change proposed by the executive by fiscal year for the 2013 biennium, and the total amount requested for each Medicaid service administered by SLTC.

Senior and Long-term Care Division
2013 Biennium Medicaid Services Appropriation by Function and Component

Medicaid Services	FY 2012				FY 2013				
Present Law and New Proposals	General Fund	State Special	Federal Special	Total	General Fund	State Special	Federal Special	Total	% of 2013 Biennial Total
Nursing Home Services									
Base	$16,218,046	$15,831,151	$104,128,424	$136,177,621	$16,218,046	$15,831,151	$104,128,424	$136,177,621	58.37%
Statewide Present Law Adjustments	14,632,363	(265,182)	(14,356,383)	10,798	14,632,192	(265,182)	(14,356,555)	10,455	0.00%
DP 22112 Nursing Facility IGT Spending Authority	0	1,181,911	2,313,833	3,495,744	0	1,545,067	2,964,761	4,509,828	1.72%
DP 22101 Med Ben Nursing Home Caseload	1,575,221	0	8,360,368	9,935,589	1,155,352	0	7,585,433	8,740,785	4.00%
DP 22102 Nursing Home FMAP Adju	1,641,322	0	(1,641,322)	0	2,284,394	0	(2,284,394)	0	0.00%
DP 22114 - MVH Medical & Pharmacy Inflation	0	212,250	0	212,250	0	212,250	0	212,250	0.09%
Total Nursing Home Appropriation Requests	$34,066,952	$16,960,130	$98,804,920	$149,832,002	$34,289,984	$17,323,286	$98,037,669	$149,650,939	64.18%
% Increase over Base Budget	110.06%	7.13%	-5.11%	10.03%	111.43%	9.43%	-5.85%	9.89%	
Home Based Services - Entitlement									
Base	$6,992,324	$2,394,147	$32,293,988	$41,680,459	$6,992,324	$2,394,147	$32,293,988	$41,680,459	17.87%
Statewide Present Law Adjustments	4,237,672	0	(4,237,672)	0	4,237,672	0	(4,237,672)	0	0.00%
DP 22104 Med Ben Home Based Caseload	1,616,076	0	3,163,799	4,779,875	2,393,959	0	4,593,662	6,987,621	2.52%
DP 22105 Home Based FMAP Adjustment	426,988	0	(426,988)	0	598,106	0	(598,106)	0	0.00%
DP 22107 HCHCW Funding Annualization	365,779	0	716,087	1,081,866	370,647	0	711,219	1,081,866	0.46%
DP 22108 HCHCW FMAP FMAP Adjustment	41,032	0	(41,032)	0	57,476	0	(57,476)	0	0.00%
Total Home Based Services Appropriation Requests	$13,679,871	$2,394,147	$31,468,182	$47,542,200	$14,650,184	$2,394,147	$32,705,615	$49,749,946	20.85%
% Increase over Base Budget	95.64%	0.00%	-2.56%	14.06%	109.52%	0.00%	1.27%	19.36%	
Community Services Waiver - Nonentitlement									
Base	$ 6,672,081	$ 1,837,192	$ 25,928,732	$ 34,438,005	$ 6,672,081	$ 1,837,192	$ 25,928,732	$ 34,438,005	14.76%
Statewide Present Law Adjustments	3,682,888	0	(3,668,550)	14,338	3,682,678	0	(3,668,760)	13,918	0.01%
DP 55140 17-1-140 Reductions - SLTC Operations Efficiencie:	(8,860)	0	0	(8,860)	(8,860)	0	0	(8,860)	0.00%
DP 55422 - 4% Personal Services GF Bud Reduction	(3,500)	0	0	(3,500)	(3,500)	0	0	(3,500)	0.00%
DP 22109 Med Ben Waiver Annualization	482,551	0	944,693	1,427,244	488,974	0	938,270	1,427,244	0.61%
DP 22110 Waiver FMAP Adjustment	(203,853)	0	203,853	0	(62,804)	0	62,804	0	0.00%
DP 55423 - PACE Elimination	(314,459)	0	(640,983)	(955,442)	(314,459)	0	(640,983)	(955,442)	-0.41%
Total Community Services Waiver Appropriation Requests	$10,306,848	$1,837,192	$22,767,745	$34,911,785	$10,454,110	$1,837,192	$22,620,063	$34,911,365	14.96%
% Increase over Base Budget	54.48%	0.00%	-12.19%	1.38%	56.68%	0.00%	-12.76%	1.37%	
Total Medicaid Services Budget	$58,053,671	$21,191,469	$153,040,847	$232,285,987	$59,394,278	$21,554,625	$153,363,347	$234,312,250	100.00%
% Increase over Base Budget	94.27%	5.63%	-5.73%	9.42%	98.76%	7.44%	-5.54%	10.37%	

The executive requests an additional $41.6 million, including an additional $57.7 million in general fund for Medicaid services, when compared to the funding provided in the FY 2010 base budget. Approximately $44.5 million of the requested general fund is due to the expiration of the enhanced FMAP discussed in the division narrative. Additional increases are to provide for caseload adjustments and changes in the state matching requirement for all three programs included in Medicaid services.

The home based services program increases also include changes for Health Care for Health Care Workers (HCHCW). The 2007 Legislature provided approximately $2.6 million dollars of Medicaid funding to provide rate increases when health insurance is provided for direct care workers in the personal assistance and private duty nursing programs. The 2009 Legislature annualized these funds at $5.2 million per year. Funds available for Health Care for Health Care Workers must be used to cover premiums for health insurance that meet defined benchmark criteria. The executive requests an additional $0.7 million in general fund to draw down $1.4 million in federal Medicaid funds to annualize the costs of the program.

Budget Implications of Adopting of the 5% Reduction Plan

The Legislative Finance Committee recommends that Joint Appropriation Subcommittees adopt the statutorily required 5% base reduction plan as the starting point of the budget deliberations for the 2013 biennial budget. A number of the items submitted by DPHHS were not included in the Governor's budget request and as such are not included in the budget tables presented for this division. The figure on the following page shows the agency proposals as they relate to the budget of Medicaid services. DPs 95221, 95222 and 95223 are included in the reduction plan but not included in the executive's budget proposals. The overall impact of the reduction is $12.6 million over the 2013 biennium.

Senior and Long-term Care Division
2013 Biennium Medicaid Services Appropriation by Function and Component

Medicaid Services Present Law and New Proposals	FY 2012 General Fund	FY 2012 State Special	FY 2012 Federal Special	FY 2012 Total	FY 2013 General Fund	FY 2013 State Special	FY 2013 Federal Special	FY 2013 Total	% of 2013 Biennial Total
Nursing Home Services									
Base	$16,218,046	$15,831,151	$104,128,424	$136,177,621	$16,218,046	$15,831,151	$104,128,424	$136,177,621	59.99%
Statewide Present Law Adjustments	14,632,363	(265,182)	(14,356,383)	10,798	14,632,192	(265,182)	(14,356,555)	10,455	0.00%
DP 22112 Nursing Facility IGT Spending Authority	0	1,181,911	2,313,833	3,495,744	0	1,545,067	2,964,761	4,509,828	1.76%
DP 22101 Med Ben Nursing Home Caseload	1,575,221	0	8,360,368	9,935,589	1,155,352	0	7,585,433	8,740,785	4.11%
DP 22102 Nursing Home FMAP Adju	1,641,322	0	(1,641,322)	0	2,284,394	0	(2,284,394)	0	0.00%
DP 22114 - MVH Medical & Pharmacy Inflation	0	212,250	0	212,250	0	212,250	0	212,250	0.09%
DP 95221 - 5% Base Reduction	(1,261,111)	0	(2,444,386)	(3,705,497)	(1,261,111)	0	(2,444,386)	(3,705,497)	-1.63%
Total Nursing Home Appropriation Requests	$32,805,841	$16,960,130	$96,360,534	$146,126,505	$33,028,873	$17,323,286	$95,593,283	$145,945,442	64.33%
% Increase over Base Budget	102.28%	7.13%	-7.46%	7.31%	103.66%	9.43%	-8.20%	7.17%	
Home Based Services - Entitlement									
Base	$6,992,324	$2,394,147	$32,293,988	$41,680,459	$6,992,324	$2,394,147	$32,293,988	$41,680,459	18.36%
Statewide Present Law Adjustments	4,237,672	0	(4,237,672)	0	4,237,672	0	(4,237,672)	0	0.00%
DP 22104 Med Ben Home Based Caseload	1,616,076	0	3,163,799	4,779,875	2,393,959	0	4,593,662	6,987,621	2.59%
DP 22105 Home Based FMAP Adjustment	426,988	0	(426,988)	0	598,106	0	(598,106)	0	0.00%
DP 22107 HCHCW Funding Annualization	365,779	0	716,087	1,081,866	370,647	0	711,219	1,081,866	0.48%
DP 22108 HCHCW FMAP FMAP Adjustment	41,032	0	(41,032)	0	57,476	0	(57,476)	0	0.00%
DP 95223 - 5% Base Reduction	(251,358)	(341,452)	(1,175,190)	(1,768,000)	(251,358)	(341,452)	(1,175,190)	(1,768,000)	-0.78%
Total Home Based Services Appropriation Requests	$13,428,513	$2,052,695	$30,292,992	$45,774,200	$14,398,826	$2,052,695	$31,530,425	$47,981,946	20.65%
% Increase over Base Budget	92.05%	-14.26%	-6.20%	9.82%	105.92%	-14.26%	-2.36%	15.12%	
Community Services Waiver - Nonentitlement									
Base	$ 6,672,081	$ 1,837,192	$ 25,928,732	$ 34,438,005	$ 6,672,081	$ 1,837,192	$ 25,928,732	$ 34,438,005	15.17%
Statewide Present Law Adjustments	3,682,888	0	(3,668,550)	14,338	3,682,678	0	(3,668,760)	13,918	0.01%
DP 55140 17-1-140 Reductions - SLTC Operations Efficiencies	(8,860)	0	0	(8,860)	(8,860)	0	0	(8,860)	0.00%
DP 55422 - 4% Personal Services GF Bud Reduction	(3,500)	0	0	(3,500)	(3,500)	0	0	(3,500)	0.00%
DP 22109 Med Ben Waiver Annualization	482,551	0	944,693	1,427,244	488,974	0	938,270	1,427,244	0.63%
DP 22110 Waiver FMAP Adjustment	(203,853)	0	203,853	0	(62,804)	0	62,804	0	0.00%
DP 55423 - PACE Elimination	(314,459)	0	(640,983)	(955,442)	(314,459)	0	(640,983)	(955,442)	-0.42%
DP 95222 - 5% Base Reduction	(238,052)	0	(471,914)	(709,966)	(238,052)	0	(709,966)	(948,018)	-0.37%
Total Community Services Waiver Appropriation Requests	$10,068,796	$1,837,192	$22,295,831	$34,201,819	$10,216,058	$1,837,192	$21,910,097	$33,963,347	15.01%
% Increase over Base Budget	50.91%	0.00%	-14.01%	-0.69%	53.12%	0.00%	-15.50%	-1.38%	
Total Medicaid Services Budget	$56,303,150	$20,850,017	$148,949,357	$226,102,524	$57,643,757	$21,213,173	$149,033,805	$227,890,735	100.00%
% Increase over Base Budget	88.42%	3.93%	-8.25%	6.50%	92.90%	5.74%	-8.20%	7.35%	

The plan to reduce general fund in nursing home services consists of two components:

- A proposal to move 100 individuals from higher cost nursing home services into the Community Services Waiver Program. While the proposal reduces general fund in nursing home services by $1.59 million each year of the biennium, $0.9 million of the reduction is used to provide support for additional slots in the Community Services Waiver Program. Overall the two transactions result in a reduction of $0.69 million in general fund each year. This proposal also reduces federal funding support by $2.7 million a year for a total reduction in funding of $3.39 million each year of the biennium
- A provider rate reduction for nursing homes of approximately $1.56 per Medicaid day results in general fund savings of $0.58 million each year of the biennium. This is based on the assumption that the program will reimburse for 1.1 million Medicaid days in each year of the biennium

Senior and Long-term Care Division
2.22% Reductions for Home and Community Based Services
By Providers

Provider Name	Budget Reduction	General Fund	Federal Special
CMC	$128,088	$42,948	$85,140
Partners	33,026	11,074	21,952
Billings	69,983	23,465	46,518
Great Falls	85,224	28,576	56,648
Bozeman	36,523	12,246	24,277
Helena	38,047	12,757	25,290
Miles City	26,710	8,956	17,754
Sidney	23,890	8,010	15,880
Kalispell	55,222	18,516	36,706
Butte	39,163	13,131	26,032
Lewistown	29,427	9,867	19,560
Area II Roundup	29,277	9,817	19,460
Area IV Polson	25,140	8,429	16,711
Area VIII Great Falls	19,044	6,385	12,659
Area X Havre	9,895	3,318	6,577
Area XI Missoula	21,299	7,142	14,157
Area IV Helena	20,963	7,029	13,934
Area III Conrad	6,439	2,159	4,280
Area V Butte	8,418	2,823	5,595
Area IX Kalispell	4,189	1,405	2,784
Total	$709,967	$238,053	$471,914

SLTC also submitted a proposal to reduce personal assistance by 2.22% by reducing the number of homemaker tasks related to daily meal preparation to a total of 4 hours per week. The proposal would affect 979 individuals currently receiving daily meal preparation in their homes. The proposal would save $0.25 million of general fund each year, $0.34 million of tobacco health and Medicaid initiative state special revenue funding, and $1.17 million of federal Medicaid funds for a total savings of $1.77 million each year of the biennium.

In addition to increased general fund to support moving 100 individuals out of the nursing homes and into community services waivers, SLTC submitted a proposal to reduce community service waivers by 2.22% each year of the biennium. This proposal reduces funding to waiver service providers and would direct the providers to submit plans to SLTC outlining the services to patients the providers would reduce. The figure shows the home and community based providers under the Medicaid waiver program and the annual budget reductions for each provider included in this proposal.

LFD COMMENT

Home and community based waiver service providers develop an individual service plan using a case management team including the recipient. The service plan must meet the needs of the recipient and be cost effective. It is reviewed every 6 months or as the recipient's condition changes. Services available to recipients include case management, homemaker, personal care, adult day care, respite, habilitation, medical alert monitor, meals, transportation, environmental modification, respiratory therapy, nursing services, adult residential care provided in a personal care or assisted living facility, or adult foster home, as well as a number of specialized services for recipients with a traumatic brain injury. It is unclear from the proposal how the providers would reduce the costs of the service plans for patients needing nursing home or hospital level of care while at the same time maintaining the individuals within the community. An unintended consequence of the reduction may be that the providers would have to reduce the number of individuals served. The legislature may wish to request further clarity from the department.

LFD COMMENT

As discussed, home and community based waiver services are limited by funding appropriated by the legislature. As a result, a number of individuals who qualify for waiver services cannot be served until a slot in the program opens up. SLTC maintains a waiting list for the services. The figure below shows this waiting list.

Senior and Long-term Care Division
Home and Community Based Services
Waiting List for Services as of 9/30/10

Status of Individual	Recipients	% of Total
Disabled	349	54.79%
Elderly	266	41.76%
Child Under 21	22	3.45%
Total Individuals	637	100.00%

Note: 160 of the recipients are on multiple lists
The unduplicated number waiting is 477.

Type of Service Requested	Recipients	% of Total
Basic	426	65.94%
Adult Residential	193	29.88%
Supported Living	16	2.48%
Heavy Care	0	0.00%
Bridges/Headway	11	1.70%
Total Services	646	100.00%

Note: Some recipients request more than 1 service

As of September 30, 2010 the waiting list for services had 477 unduplicated individuals requesting services. The majority, 66% requested basic waiver services. Over half of the individuals are disabled and a significant number are elderly. Approximately 23% of the individuals are requesting services in the Great Falls region, 19% in Missoula with 14% requesting disabled services, and 12% in Kalispell. Reductions to the base level of funding for the waiver services may increase the number of individuals on the waiting list to receive services.

Audit of Home and Community Based Waiver Services

LAD completed a performance audit of the Home and Community Based Services Waiver Program in August 2010. Audit work found the waiver program is generally a less costly alternative to nursing facility placement. The audit report contains eight recommendations to the division including:

- Comply with administrative rules regarding eligibility of nursing home residents for waiver services
- Improve the allocation of waiver slots for eligible waiver applicants among case management teams
- Ensure case management teams submit accurate waiting list information
- Review case management team activities in accordance with federal agreements and department policy
- Improve the client satisfaction survey process
- Conduct oversight review of level of care needs assessments completed by a contractor
- Improve the process for selecting clients for quality assurance reviews
- Strengthen financial controls by requiring more detailed provider information on bills by undertaking steps to review claims submitted for payment

SLTC concurred with all of the LAD recommendations. The full report can be found at http://leg.mt.gov/content/Publications/Audit/Report/10P-05.pdf

Interim Reports to the Legislature

<u>HJ 25</u>

The 2009 Legislature passed HJ 25 directing the SLTC division to work with nursing home care providers, consumers and other interested parties to examine issues related to the difficulties encountered by nursing homes and those seeking medical assistance for a nursing home stay. The resolution also directed the division to provide the legislature with a final report on findings, conclusions, or recommendations for the 62nd Legislature.

The report was completed in October of 2010 and identifies issues related to the difficulties encountered in medical assistance and presents several options to address the issues including:

- Provide improved educational material for applicants
- Improve the online resources available from SLTC
- Provide improved education for nursing facility providers
- Promote and encourage a pre-application process for nursing home applicants
- Modify and clarify the existing hardship policy
- Provide a "modest means program" in order to give applicants greater access to legal resources to pursue a civil case
- Request legislation that would put into law a penalty for the recipients of assets received in order for an applicant to qualify for Medicaid
- Allow applicants to exempt the value of their life insurance if they name the DPHHS/Medicaid program as the irrevocable primary beneficiary
- Create education material promoting long term care partnerships
- Institute a family farm/small business exemption in the asset transfer policy
- Continue to promote the purchase of long-term partnership insurance policies

The report can be found at: http://www.dphhs.mt.gov/HJR25WhitePaper.pdf

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	28,985,483	28,985,483	57,970,966	50.12%	212,296,085	212,296,085	424,592,170	91 08%
Statewide PL Adjustments	22,552,923	22,552,542	45,105,465	39 00%	25,136	24,373	49,509	0 01%
Other PL Adjustments	5,936,256	7,277,244	13,213,500	11 43%	20,711,458	22,738,484	43,449,942	9.32%
New Proposals	(317,959)	(317,959)	(635,918)	(0.55%)	(958,942)	(958,942)	(1,917,884)	(0.41%)
Total Budget	**$57,156,703**	**$58,497,310**	**$115,654,013**		**$232,073,737**	**$234,100,000**	**$466,173,737**	

As discussed in the overview of the division, an adjustment was made to the federal funding for this division to reflect the end of the increased federal FMAP provided through the federal stimulus package in the 2011 biennium. This change accounts for the majority of the adjustments included in the statewide present law adjustments for the general fund. Present law adjustments and new proposals are discussed in detail in the following narrative.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					69,731					68,92
Vacancy Savings					(44,041)					(44,011
Inflation/Deflation					(554)					(541
Total Statewide Present Law Adjustments		**$22,552,923**	**($265,182)**	**($22,262,605)**	**$25,136**		**$22,552,542**	**($265,182)**	**($22,262,987)**	**$24,37**
DP 22101 - Med Ben - Nurse Home Caseld	0.00	1,575,221	0	8,360,368	9,935,589	0.00	1,155,352	0	7,585,433	8,740,78
DP 22102 - Nur Home FMAP Adj	0.00	1,641,322	0	(1,641,322)	0	0.00	2,284,394	0	(2,284,394)	[illegible]
DP 22104 - Med Ben - Home Based Caseload	0.00	1,616,076	0	3,163,799	4,779,875	0.00	2,393,959	0	4,593,662	6,987,62
DP 22105 - Home Based FMAP Adj	0.00	426,988	0	(426,988)	0	0.00	598,106	0	(598,106)	[illegible]
DP 22107 - HCHCW Funding Annualization	0.00	365,779	0	716,087	1,081,866	0.00	370,647	0	711,219	1,081,86
DP 22108 - HCHCW FMAP Adj	0.00	41,032	0	(41,032)	0	0.00	57,476	0	(57,476)	[illegible]
DP 22109 - Med Ben - Waiver Annualization	0.00	482,551	0	944,693	1,427,244	0.00	488,974	0	938,270	1,427,24
DP 22110 - Waiver FMAP Adj	0.00	(203,853)	0	203,853	0	0.00	(62,804)	0	62,804	[illegible]
DP 22112 - Nursing Facility IGT Spending Authority	0.00	0	1,181,911	2,313,833	3,495,744	0.00	0	1,545,067	2,964,761	4,509,82
DP 55140 - 17-7-140 Reductions- SLTC Operations Efficiencies	0.00	(8,860)	0	0	(8,860)	0.00	(8,860)	0	0	(8,860
Total Other Present Law Adjustments	**0.00**	**$5,936,256**	**$1,181,911**	**$13,593,291**	**$20,711,458**	**0.00**	**$7,277,244**	**$1,545,067**	**$13,916,173**	**$22,738,48**
Grand Total All Present Law Adjustments	**0.00**	**$28,489,179**	**$916,729**	**($8,669,314)**	**$20,736,594**	**0.00**	**$29,829,786**	**$1,279,885**	**($8,346,814)**	**$22,762,85**

LFD COMMENT

DP 22102, 22105, 22108, 22110 are for FMAP adjustments. As discussed in the branch narrative, the subcommittee may wish to adopt these decisions jointly.

DP 22101 - Med Ben - Nurse Home Caseld - The executive requests $2.7 million in general fund and $15.9 million in federal funds for caseload adjustments in Medicaid nursing home services. The adjustment includes a 1.1% decline in the first year of the biennium and a .85% decline in the second year of the biennium.

LFD COMMENT

For a further discussion, see the agency summary and the program narrative.

DP 22102 - Nur Home FMAP Adj - The executive requests support for an increase in general fund and a decrease in federal Medicaid funds over the biennium due to a projected change in FMAP rates for FY 2012 and FY 2013 for Medicaid-funded nursing facility services. The match rate will increase to 33.81% in FY 2012 and 34.26% in FY 2013 from the FY 2010 rate of 32.52%. The decrease in federal funds is equal to the increase in general fund.

DP 22104 - Med Ben - Home Based Caseload - The executive requests $4.0 million in general fund and $7.8 million in federal funds for caseload adjustments in Medicaid-funded personal assistance, home health and hospice services.

DP 22105 - Home Based FMAP Adj - The executive requests support to provide an increase in general fund and a decrease in federal Medicaid funds over the biennium due to a projected change in FMAP rates for FY 2012 and FY 2013 for Medicaid-funded personal assistance, home health and hospice services. The match rate will increase to 33.81% in FY 2012 and 34.26% in FY 2013 from the FY 2010 rate of 32.52%.

DP 22107 - HCHCW Funding Annualization - The executive requests $0.7 million in general fund to draw down $1.4 million in federal funds to annualize the costs associated with Health Care for Health Care Workers program. This adjustment would continue the coverage of this insurance program at the current level.

DP 22108 - HCHCW FMAP Adj - The executive requests support to provide an increase in general fund and a decrease in federal Medicaid funds over the biennium due to a projected change in FMAP rates for FY 2012 and FY 2013 for the Medicaid-funded Health Care for Health Care Workers program. The match rate will increase to 33.81% in FY 2012 and 34.26% in FY 2013 from the FY 2010 rate of 32.52%.

DP 22109 - Med Ben - Waiver Annualization - The executive proposes to annualize the cost of nursing home transition placements into community based service settings by requesting $0.9 million in general fund to draw down $1.9 million in federal funds. Approximately 38 individuals transitioned at different times during the year from the nursing facility to home and community based waiver placements, resulting in less than a full year of expenditures being recognized in the FY 2010 base year.

DP 22110 - Waiver FMAP Adj - The executive requests support to provide an increase in general fund and a decrease in federal Medicaid funds over the biennium due to a projected change in FMAP rates for FY 2012 and FY 2013 for Medicaid-funded home and community based waiver services. The match rate will increase to 33.81% in FY 2012 and 34.26% in FY 2013 from the FY 2010 rate of 32.52%.

DP 22112 - Nursing Facility IGT Spending Authority - The executive requests authority for $2.7 million in state special revenue funds matched with $5.3 million in federal Medicaid funds to reflect the anticipated increase in Nursing Facility Intergovernmental Payments (IGT) between the FY 2010 base and the 2013 biennium. The increased ability to leverage matching funds between the Medicaid rate and the Medicare upper payment limit (UPL) is anticipated at approximately $8.0 million in total funds over the biennium with the state match provided by county governments.

DP 55140 - 17-7-140 Reductions- SLTC Operations Efficiencies - The Governor made reductions to agencies' 2011 biennium general fund budgets in accordance with 17-7-140, MCA. A portion of the reductions was effective in FY 2011 and therefore is not reflected in the base. This reduction is to continue the original reduction in the 2013 biennium. SLTC plans to reduce expenditures for travel, conferences, supplies, newspaper ads, cell phones, and postage.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor.

New Proposals	Fiscal 2012					Fiscal 2013				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55422 - 4% Personal Svs GF Bud Reduction										
01	0.00	(3,500)	0	0	(3,500)	0.00	(3,500)	0	0	(3,500)
DP 55423 - PACE Elimination										
01	0.00	(314,459)	0	(640,983)	(955,442)	0.00	(314,459)	0	(640,983)	(955,442)
Total	**0.00**	**($317,959)**	**$0**	**($640,983)**	**($958,942)**	**0.00**	**($317,959)**	**$0**	**($640,983)**	**($958,942)**

DP 55422 - 4% Personal Svs GF Bud Reduction - The executive recommends a 4% reduction of personal services funded with general fund.

LFD COMMENT

The reduction in personal services does not permanently remove FTE from the budgeting process. The process used for budgeting FTE will reinstate funding for all positions and could include this funding in the 2015 biennium and beyond.

DP 55423 - PACE Elimination - The Governor proposes to eliminate the Program of All-inclusive Care for the Elderly (PACE) from the base budget of the Medicaid Services. The reduction removes the base budget expenditure amount of $314,459 per year in general fund and a related $1.3 million in matching federal funds. PACE is a managed care service for the frail community-dwelling elderly, most of whom are dually eligible for Medicare and Medicaid benefits, and all of whom are assessed as being eligible for nursing home placement according to the standards established by their respective states. The program enables them to remain in familiar surroundings and preserve maximum physical, social and cognitive function. The program covers both long term and acute care needs of its consumers. Montana has operated the PACE program since November of 2008 when Billings Clinic received a federal rural PACE grant to develop this program in Montana. There are currently 39 participants in PACE in Montana

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity

Justification: The Program of All-inclusive Care for the Elderly (PACE) program will be permanently removed from the base budget of the Senior and Long Term Care Division. The reduction removes the base budget expenditure amount of $314,459 per year in general fund. Montana has operated the PACE program since November of 2008 when Billings Clinic received a federal rural PACE grant to develop this program in Montana.

Currently the program is exclusively for individuals 55 or older who live in Yellowstone County or the City of Livingston and meet nursing facility level of care. The PACE organization has informed the state and CMS that it will close the Livingston site in December 2010. The monthly per member per month capitated rate is $2,545 for participants who are dually eligible (eligible for both Medicare and Medicaid) and $3,653 for participants who are Medicaid but not Medicare eligible.

Reason for the Reduction: PACE is an optional service under Medicaid. There are 39 consumers currently in Montana's PACE program, and 6 of the consumers will lose services due to closure of the Livingstone site. The PACE Organization cannot continue to offer this service at the current service level of 39 individuals. The need for the services is not as great as anticipated.

Effect on Program or Project Outcomes: While all of the participants meet the Medicaid long term care eligibility criteria, we do not anticipate participants would move into institutional settings in the 2013 biennium if PACE were eliminated. Most individuals are likely to remain in the local area and access other community supports as would any other Medicaid-eligible consumers.

Adjusted Performance Criteria: None

FTE Impacts: There is no FTE impact relative to the elimination of the PACE program. This is one of the community based long term care service options that the division's staff manages on a daily basis.

Funding Impacts All Types: This request will eliminate the 2010 base budget funding of $314,459 general fund and $955,442 total funds in each year of the 2013 biennium. There is no maintenance of effort requirement for PACE as it is an optional Medicaid service.

Risks: The consumers enrolled in PACE will receive the same level of services as all other Medicaid consumers based on eligibility and need.

Sub-Program Details

VETERANS SERVICES 02

Sub-Program Proposed Budget

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	144.24	0.00	0.00	144.24	0.00	0.00	144 24	144.24
Personal Services	6,719,888	396,708	0	7,116,596	396,350	0	7,116,238	14,232,834
Operating Expenses	4,747,714	1,281,238	0	6,028,952	1,298,522	0	6,046,236	12,075,188
Equipment & Intangible Assets	132,303	0	0	132,303	0	0	132,303	264,606
Debt Service	11,284	0	0	11,284	0	0	11,284	22,568
Total Costs	**$11,611,189**	**$1,677,946**	**$0**	**$13,289,135**	**$1,694,872**	**$0**	**$13,306,061**	**$26,595,196**
State/Other Special	7,777,281	292,505	0	8,069,786	295,544	0	8,072,825	16,142,611
Federal Special	3,833,908	1,385,441	0	5,219,349	1,399,328	0	5,233,236	10,452,585
Total Funds	**$11,611,189**	**$1,677,946**	**$0**	**$13,289,135**	**$1,694,872**	**$0**	**$13,306,061**	**$26,595,196**

Sub-Program Description

Montana Veterans' Home (MVH)

The Montana Veterans' Home is a 105 bed licensed and certified skilled nursing facility located in Columbia Falls, providing all of the care that is typically found in any community nursing home. In addition to the nursing facility, MVH operates a twelve (12) bed domiciliary unit. The domiciliary provides supervision and assistance in a residential setting to veterans who are able to meet their own self-care needs. Montana veterans are admitted if they are over 55 years of age or in need of care, and have had active service in the armed forces. Spouses of veterans may also be admitted if space is available. The current facility population is 99 residents. As is the case with most nursing facilities, the facility participates in the Medicaid and Medicare programs. In addition, MVH historically has been funded by charging members for their care at the facility based on their ability to pay. As of October 1, 2010 the federal Department of Veterans' Affairs contributes $94.59 for the nursing facility and $38.90 for the domiciliary.

Eastern Montana Veterans Home (EMVH)

The Eastern Montana Veterans' Home operations are provided through a contract with a private provider. EMVH provides 80 skilled and intermediate nursing home beds, including 16 beds dedicated to Alzheimer or dementia residents. The Glendive Medical Center (GMC) has been the independent contractor responsible for management and operation of the facility since the facility opened its doors in 1995. A SLTC employee located on site at the facility is responsible for monitoring contractual compliance and serves as the liaison between the state, the contractor, and the veteran's administration. The EMVH facility had 63 residents as of July 2010. The facility's average occupancy for 2010 was 68.64 residents or an occupancy rate of 85.9%.

Subprogram Narrative

Veterans' services are about 5% of the FY 2013 SLTC biennial budget. The figure on the next page shows the total appropriation for each veterans home compared to the FY 2010 base budget expenditures, the estimated daily population, and the annual cost per day of care.

Senior and Long-term Care Division Veterans' Homes FY 2010 Expenditures and Revenues 2013 Biennium Executive Budget Request				
Institution/ Cost/Funding	Actual FY 2010	Budgeted FY 2011	Executive Budget Request FY 2012	FY 2013
Montana Veterans' Home				
FTE	143.04	143.19	143.04	143.04
Personal Services	$6,663,706	$7,185,508	$7,049,052	$7,048,853
All Other	3,270,547	3,157,597	3,597,003	3,614,281
Total Cost	$9,934,253	$10,343,105	$10,646,055	$10,663,134
General Fund	$0	$0	$0	$0
State Special Revenue	7,515,416	7,768,498	7,796,304	7,799,850
Federal Special Revenue	2,418,837	2,574,607	2,849,751	2,863,284
Total Funding	$9,934,253	$10,343,105	$10,646,055	$10,663,134
Population	94.10	104.00	90.30	89.30
Annual Cost Per Person	$105,571	$99,453	$117,897	$119,408
Cost Per Day	$289	$272	$323	$327
Annual Change		-5.80%	18.55%	1.28%
Annual Per Person Reimbursement				
State Special Revenue	$79,866	$74,697	$86,338	$87,344
Annual Change		-6.47%	15.58%	1.17%
Federal Special Revenue	$25,705	$24,756	$31,559	$32,064
Annual Change		-3.69%	27.48%	1.60%
Eastern Montana Veterans' Home				
FTE	1.20	1.00	1.20	1.20
Personal Services	$56,182	$55,668	$67,544	$67,385
All Other	1,620,754	1,687,730	2,575,536	2,575,542
Total Cost	$1,676,936	$1,743,398	$2,643,080	$2,642,927
General Fund	$0	$0	$0	$0
State Special Revenue	261,865	298,220	273,482	272,975
Federal Special Revenue	1,415,071	1,445,178	2,369,598	2,369,952
Total Funding	$1,676,936	$1,743,398	$2,643,080	$2,642,927
Population	69	66	69	69
Annual Cost Per Person	$24,445	$26,415	$38,506	$38,504
Cost Per Day	$67	$72	$105	$105
Annual Change		8.06%	45.77%	-0.01%
Annual Per Person Reimbursement				
State Special Revenue	$3,817	$4,518	$3,984	$3,977
Annual Change		18.37%	-11.82%	-0.19%
Federal Special Revenue	$20,628	$21,897	$34,522	$34,527
Annual Change		6.15%	57.66%	0.01%

The homes are funded from insurance, Medicare, Medicaid, and private payments, as well as federal Veterans' Administration per diem payments. Changes to the annual cost per person for the Montana Veterans' Home are driven by two factors:

1. Reduced census in FY 2010 that carries into the 2013 biennium
2. Elimination of overtime and holiday pay from FY 2010 base budget

Federal per diem payments were increased significantly effective October 1, 2010, from $77.53 to $94.59 or a $17.06 a day increase in reimbursements. Due to the significance of the increase and concerns at the national level with the federal budget, the executive proposal assumes the rate will remain unchanged during the 2013 biennium. The balance of the costs not paid by these funding sources is paid from cigarette tax state special revenue allocated for veterans' uses. The funding for veterans' services is discussed in greater detail in the division funding section.

Present law adjustments add about $2.8 million over the biennium, approximately $1.9 million for increased federal per diem payments to the EMVH contract and $1.0 million for support of the MVH. As shown in the figure on the previous page, the annual cost per person supported by state special revenue in MVH increases 15.58% between FY 2011 and FY 2012 while the annual cost declines by 8.30% in the EMVH. The increases for MVH are driven by restoration of holiday and overtime costs, and medical and pharmacy inflation.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category

	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	0	0	0	0.00%	11,611,189	11,611,189	23,222,378	87.32%
Statewide PL Adjustments	0	0	0	0.00%	(121,547)	(110,367)	(231,914)	(0.87%)
Other PL Adjustments	0	0	0	0.00%	1,799,493	1,805,239	3,604,732	13.55%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	**$0**	**$0**	**$0**		**$13,289,135**	**$13,306,061**	**$26,595,196**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments

	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					163,746					163,374
Vacancy Savings					(275,338)					(275,324)
Inflation/Deflation					(9,663)					1,506
Fixed Costs					(292)					77
Total Statewide Present Law Adjustments		**$0**	**($108,076)**	**($13,471)**	**($121,547)**		**$0**	**($110,783)**	**$416**	**($110,367)**
DP 22113 - MVH Restore OT/Holidays Worked	0.00	0	508,300	0	508,300	0.00	0	508,300	0	508,300
DP 22114 - MVH - Medical & Pharmacy Inflation	0.00	0	336,312	0	336,312	0.00	0	342,058	0	342,058
DP 22115 - Increase Fed Authority for VA Per Diem MVH	0.00	0	(444,031)	444,031	0	0.00	0	(444,031)	444,031	0
DP 22116 - Increase Fed Authority for VA Per Diem EMVH	0.00	0	0	954,881	954,881	0.00	0	0	954,881	954,881
Total Other Present Law Adjustments	**0.00**	**$0**	**$400,581**	**$1,398,912**	**$1,799,493**	**0.00**	**$0**	**$406,327**	**$1,398,912**	**$1,805,239**
Grand Total All Present Law Adjustments	**0.00**	**$0**	**$292,505**	**$1,385,441**	**$1,677,946**	**0.00**	**$0**	**$295,544**	**$1,399,328**	**$1,694,872**

DP 22113 - MVH Restore OT/Holidays Worked - The executive requests funding to support personal services costs that are removed from the FY 2010 base budget for the Montana Veterans' Home (MVH). This includes overtime, differential, holidays worked, and doctor on-call pay related to operating a facility with 24 hour staffing.

The request includes funding of aggregate positions. Aggregate positions are used to provide coverage for staff on sick leave, vacation leave, and in nurse aide training classes. The total request is for $1,016,600 of state special revenue over the biennium from cigarette tax revenue.

DP 22114 - MVH - Medical & Pharmacy Inflation - The executive requests $678,370 in state special revenue from cigarette tax over the biennium to fund inflationary increases in operations, medical, and pharmacy costs for MVH.

DP 22115 - Increase Fed Authority for VA Per Diem MVH - The executive requests increased federal authority due to the increase in federal veteran's administration per diem rates that will be reimbursed for the domiciliary and nursing facility days of care at MVH in the 2013 biennium. The request shifts the funding from cigarette taxes to federal funds.

DP 22116 - Increase Fed Authority for VA Per Diem EMVH - The executive requests $1.9 million of increased federal authority for veteran's administration per diem paid for nursing facility days of care at EMVH.

Sub-Program Details

AGING SERVICES 03

Sub-Program Proposed Budget

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	10.00	0.00	0.00	10.00	0.00	0.00	10.00	10.00
Personal Services	559,096	16,491	0	575,587	15,652	0	574,748	1,150,335
Operating Expenses	389,752	(3,660)	0	386,092	(3,643)	0	386,109	772,201
Grants	8,697,634	280,196	0	8,977,830	296,707	0	8,994,341	17,972,171
Benefits & Claims	999,000	9,081	0	1,008,081	9,081	0	1,008,081	2,016,162
Total Costs	**$10,645,482**	**$302,108**	**$0**	**$10,947,590**	**$317,797**	**$0**	**$10,963,279**	**$21,910,869**
General Fund	3,919,655	10,865	(11,857)	3,918,663	10,745	(11,857)	3,918,543	7,837,206
Federal Special	6,725,827	291,243	11,857	7,028,927	307,052	11,857	7,044,736	14,073,663
Total Funds	**$10,645,482**	**$302,108**	**$0**	**$10,947,590**	**$317,797**	**$0**	**$10,963,279**	**$21,910,869**

Sub-Program Description

The Office on Aging has been designated as the State Unit on Aging for the purposes of administering the Older Americans Act programs in Montana. The Office on Aging contracts with the "Aging Network", which consists of 10 Area Agencies on Aging (AAA), 34 county councils, 157 senior centers, 173 congregate meal sites, and 137 home delivered meal providers as well as other local providers serving Montana's elderly population 60 years and older. The Office on Aging develops the state plan on aging and approves service delivery plans and programs developed by the 10 AAA's located across Montana. Among the services provided by AAA are senior centers, Meals on Wheels, health services, transportation, public education, information and assistance, long-term care ombudsman, and other services.

Some of the services provided in FY 2010 by the Montana Aging Services Network included:

- Home delivered meals - 656,585 meals were delivered to about 7,100 persons.
- Congregate meals –1,188,002 congregate meals were served to about 24,835 persons. (The Aging Network supports approximately 170 sites across the state.)
- Transportation
- Ombudsman
- Legal assistance
- Nutrition education
- Information and assistance
- Homemaker and personal care

Sub-Program Narrative

The executive request for Aging Services is $0.6 million higher when compared to the FY 2010 base budget, all in federal funds.

In the last two biennia the Aging Services program has received $1.5 million in additional funding annually for community based aging services. The current level of the services provided through the additional funding is not included in the executive's proposal for this program. A discussion of the services provided is included in the goals and objectives narrative of the program.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	3,919,655	3,919,655	7,839,310	100.03%	10,645,482	10,645,482	21,290,964	97.17%
Statewide PL Adjustments	4,284	4,164	8,448	0.11%	15,331	14,509	29,840	0.14%
Other PL Adjustments	6,581	6,581	13,162	0.17%	286,777	303,288	590,065	2.69%
New Proposals	(11,857)	(11,857)	(23,714)	(0.30%)	0	0	0	0.00%
Total Budget	**$3,918,663**	**$3,918,543**	**$7,837,206**		**$10,947,590**	**$10,963,279**	**$21,910,869**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					40,474					39,59
Vacancy Savings					(23,983)					(23,947
Inflation/Deflation					(1,160)					(1,143
Total Statewide Present Law Adjustments		**$4,284**	**$0**	**$11,047**	**$15,331**		**$4,164**	**$0**	**$10,345**	**$14,50**
DP 22117 - Aging Grant Funding	0.00	0	0	280,196	280,196	0.00	0	0	296,707	296,70
DP 22118 - State Supplement Growth	0.00	9,081	0	0	9,081	0.00	9,081	0	0	9,08
DP 55140 - 17-7-140 Reductions- SLTC Operations Efficiencies	0.00	(2,500)	0	0	(2,500)	0.00	(2,500)	0	0	(2,500
Total Other Present Law Adjustments	**0.00**	**$6,581**	**$0**	**$280,196**	**$286,777**	**0.00**	**$6,581**	**$0**	**$296,707**	**$303,28**
Grand Total All Present Law Adjustments	**0.00**	**$10,865**	**$0**	**$291,243**	**$302,108**	**0.00**	**$10,745**	**$0**	**$307,052**	**$317,79**

<u>DP 22117 - Aging Grant Funding -</u> The executive requests additional federal authority for anticipated increases in federal aging grants for community aging services such as ombudsman, Title III nutrition programs, and SHIP. The request is for $576,903 of federal funds over the biennium would augment contracts with Area Agencies on Aging.

<u>DP 22118 - State Supplement Growth -</u> The executive proposes to increase general fund by $18,162 over the biennium for growth of approximately 10 people in the State Supplement Program. These increases are expected to come from children in foster homes and a small number of individuals moving into DD group homes. These payments are made to SSI eligible individuals who reside in designated residential care facilities, such as community homes for persons with developmental disabilities, adult foster homes, or assisted living facilities.

<u>DP 55140 - 17-7-140 Reductions- SLTC Operations Efficiencies -</u> The Governor made reductions to agencies' 2011 biennium general fund budgets in accordance with 17-7-140, MCA. A portion of the reductions was effective in FY 2011 and therefore is not reflected in the base. This reduction is to continue the original reduction in the 2013 biennium. SLTC plans to reduce expenditures for travel, conferences, supplies, newspaper ads, cell phones, and postage.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor.

New Proposals										
	Fiscal 2012					Fiscal 2013				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55422 - 4% Personal Svs GF Bud Reduction										
03	0.00	(11,857)	0	11,857	0	0.00	(11,857)	0	11,857	0
Total	**0.00**	**($11,857)**	**$0**	**$11,857**	**$0**	**0.00**	**($11,857)**	**$0**	**$11,857**	**$0**

<u>DP 55422 - 4% Personal Svs GF Bud Reduction -</u> The executive recommends a 4% reduction of personal services funded with general fund.

LFD COMMENT The reduction in personal services does not permanently remove FTE from the budgeting process. The process used for budgeting FTE will reinstate funding for all positions and could include this funding in the 2015 biennium and beyond.

Sub-Program Details

SLTC DIVISION ADMINISTRATION 04

Sub-Program Proposed Budget

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	5.00	0.00	0.00	5.00	0.00	0.00	5.00	5.00
Personal Services	345,296	5,053	0	350,349	4,194	0	349,490	699,839
Operating Expenses	80,317	18,724	(9,953)	89,088	22,477	(9,600)	93,194	182,282
Total Costs	**$425,613**	**$23,777**	**($9,953)**	**$439,437**	**$26,671**	**($9,600)**	**$442,684**	**$882,121**
General Fund	190,931	18,671	(9,919)	199,683	21,417	(9,600)	202,748	402,431
State/Other Special	60,087	489	0	60,576	371	0	60,458	121,034
Federal Special	174,595	4,617	(34)	179,178	4,883	0	179,478	358,656
Total Funds	**$425,613**	**$23,777**	**($9,953)**	**$439,437**	**$26,671**	**($9,600)**	**$442,684**	**$882,121**

Sub-Program Description

SLTC Division Administration provides oversight and administrative support for the division's other four divisions including both Montana veterans' homes.

The SLTC division administration budget request grows about $30,900 over the biennium compared to the FY 2010 base budget. Present laws adjustments for rent increases of $27,000 annually are partially offset by reductions in operating costs.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	190,931	190,931	381,862	94.89%	425,613	425,613	851,226	96.50%
Statewide PL Adjustments	1,521	1,146	2,667	0.66%	3,394	2,558	5,952	0.67%
Other PL Adjustments	17,150	20,271	37,421	9.30%	20,383	24,113	44,496	5.04%
New Proposals	(9,919)	(9,600)	(19,519)	(4.85%)	(9,953)	(9,600)	(19,553)	(2.22%)
Total Budget	**$199,683**	**$202,748**	**$402,431**		**$439,437**	**$442,684**	**$882,121**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments

	Fiscal 2012 FTE	General Fund	State Special	Federal Special	Total Funds	Fiscal 2013 FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					19,651					18,756
Vacancy Savings					(14,598)					(14,562)
Inflation/Deflation					(1,659)					(1,636)
Total Statewide Present Law Adjustments		**$1,521**	**$489**	**$1,384**	**$3,394**		**$1,146**	**$371**	**$1,041**	**$2,558**
DP 22120 - Non DofA rent adjustment	0.00	27,150	0	3,233	30,383	0.00	30,271	0	3,842	34,113
DP 55140 - 17-7-140 Reductions- SLTC Operations Efficiencies	0.00	(10,000)	0	0	(10,000)	0.00	(10,000)	0	0	(10,000)
Total Other Present Law Adjustments	**0.00**	**$17,150**	**$0**	**$3,233**	**$20,383**	**0.00**	**$20,271**	**$0**	**$3,842**	**$24,113**
Grand Total All Present Law Adjustments	**0.00**	**$18,671**	**$489**	**$4,617**	**$23,777**	**0.00**	**$21,417**	**$371**	**$4,883**	**$26,671**

<u>DP 22120 - Non DofA rent adjustment -</u> The executive requests $57,500 in additional general fund and $7,000 in federal funds to pay for increased costs associated with leases of non-state owned buildings.

<u>DP 55140 - 17-7-140 Reductions- SLTC Operations Efficiencies -</u> The Governor made reductions to agencies' 2011 biennium general fund budgets in accordance with 17-7-140, MCA. A portion of the reductions was effective in FY 2011 and therefore is not reflected in the base. This reduction is to continue the original reduction in the 2013 biennium. SLTC plans to reduce expenditures for travel, conferences, supplies, newspaper ads, cell phones, and postage.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor.

New Proposals

Sub Program	Fiscal 2012 FTE	General Fund	State Special	Federal Special	Total Funds	Fiscal 2013 FTE	General Fund	State Special	Federal Special	Total Funds
DP 55422 - 4% Personal Svs GF Bud Reduction										
04	0.00	(9,919)	0	(34)	(9,953)	0.00	(9,600)	0	0	(9,600)
Total	**0.00**	**($9,919)**	**$0**	**($34)**	**($9,953)**	**0.00**	**($9,600)**	**$0**	**$0**	**($9,600)**

<u>DP 55422 - 4% Personal Svs GF Bud Reduction -</u> The executive recommends a 4% reduction of personal services funded with general fund.

LFD COMMENT

The reduction in personal services does not permanently remove FTE from the budgeting process. The process used for budgeting FTE will reinstate funding for all positions and could include this funding in the 2015 biennium and beyond.

Sub-Program Details

ADULT PROTECTIVE SERVICES 05

Sub-Program Proposed Budget

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	44.22	0.00	(1.00)	43.22	0.00	(1.00)	43.22	43.22
Personal Services	2,155,232	207,937	(43,746)	2,319,423	208,568	(43,644)	2,320,156	4,639,579
Operating Expenses	432,544	(4,319)	(19,671)	408,554	(3,668)	(19,671)	409,205	817,759
Benefits & Claims	38,128	0	(10,000)	28,128	0	(10,000)	28,128	56,256
Debt Service	200	0	0	200	0	0	200	400
Total Costs	**$2,626,104**	**$203,618**	**($73,417)**	**$2,756,305**	**$204,900**	**($73,315)**	**$2,757,689**	**$5,513,994**
General Fund	1,902,116	199,457	(67,365)	2,034,208	197,713	(67,684)	2,032,145	4,066,353
State/Other Special	330,710	(2,886)	0	327,824	(361)	0	330,349	658,173
Federal Special	393,278	7,047	(6,052)	394,273	7,548	(5,631)	395,195	789,468
Total Funds	**$2,626,104**	**$203,618**	**($73,417)**	**$2,756,305**	**$204,900**	**($73,315)**	**$2,757,689**	**$5,513,994**

Sub-Program Description

Adult Protective Services (APS) provides for adult guardianships and investigates, intervenes or prevents elder abuse, neglect, or exploitation of Montana seniors and disabled citizens. APS also coordinates a variety of support services directed at protecting Montana's vulnerable population. Services are provided by social workers and include:

- Receiving and investigating reports of the abuse, neglect or exploitation of elderly, developmentally disabled and disabled adults
- Developing a case plan in cooperation with the client, including end of life decision making
- Arranging for ongoing support services from other state, county and local agencies
- Assuming the role of court-ordered guardian, conservator or surrogate decision maker, as agency of last resort, for those elderly and disabled who are unable to do so themselves

Adult protective services are a mandated service under Montana law, but expenditures for the program are limited to the appropriation established by the legislature. During FY 2010, APS provided some form of assistance to 3,857 persons. Included in those services were 5,500 investigations involving allegations of adult abuse, neglect, or financial exploitation. Of the total FTE, 41.25 are social workers involved in direct services to vulnerable adults.

Included in the executive budget request for Aging Services are overall increases of $0.2 million, mainly supported by general fund. The majority the adjustments are made through the statewide present law adjustment budget calculations.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	1,902,116	1,902,116	3,804,232	93.55%	2,626,104	2,626,104	5,252,208	95.25%
Statewide PL Adjustments	184,411	182,667	367,078	9.03%	187,569	188,851	376,420	6.83%
Other PL Adjustments	15,046	15,046	30,092	0.74%	16,049	16,049	32,098	0.58%
New Proposals	(67,365)	(67,684)	(135,049)	(3.32%)	(73,417)	(73,315)	(146,732)	(2.66%)
Total Budget	**$2,034,208**	**$2,032,145**	**$4,066,353**		**$2,756,305**	**$2,757,689**	**$5,513,994**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					306,401					307,062
Vacancy Savings					(98,464)					(98,494)
Inflation/Deflation					(20,368)					(19,717)
Total Statewide Present Law Adjustments		**$184,411**	**($2,886)**	**$6,044**	**$187,569**		**$182,667**	**($361)**	**$6,545**	**$188,851**
DP 22119 - Motor Pool Car Request	0.00	27,668	0	1,003	28,671	0.00	27,668	0	1,003	28,671
DP 55140 - 17-7-140 Reductions- SLTC Operations Efficiencies	0.00	(12,622)	0	0	(12,622)	0.00	(12,622)	0	0	(12,622)
Total Other Present Law Adjustments	**0.00**	**$15,046**	**$0**	**$1,003**	**$16,049**	**0.00**	**$15,046**	**$0**	**$1,003**	**$16,049**
Grand Total All Present Law Adjustments	**0.00**	**$199,457**	**($2,886)**	**$7,047**	**$203,618**	**0.00**	**$197,713**	**($361)**	**$7,548**	**$204,900**

DP 22119 - Motor Pool Car Request - The executive requests the exchange of three department-owned cars for three motor pool leased cars that are used by field staff in adult protective services. The department owned cars are high mileage and in need of increased maintenance and repairs due to their age.

DP 55140 - 17-7-140 Reductions- SLTC Operations Efficiencies - The Governor made reductions to agencies' 2011 biennium general fund budgets in accordance with 17-7-140, MCA. A portion of the reductions was effective in FY 2011 and therefore is not reflected in the base. This reduction is to continue the original reduction in the 2013 biennium. SLTC plans to reduce expenditures for travel, conferences, supplies, newspaper ads, cell phones, and postage.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor.

New Proposals	Fiscal 2012					Fiscal 2013				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55422 - 4% Personal Svs GF Bud Reduction										
05	(1.00)	(67,365)	0	(6,052)	(73,417)	(1.00)	(67,684)	0	(5,631)	(73,315)
Total	**(1.00)**	**($67,365)**	**$0**	**($6,052)**	**($73,417)**	**(1.00)**	**($67,684)**	**$0**	**($5,631)**	**($73,315)**

DP 55422 - 4% Personal Svs GF Bud Reduction - The executive recommends a 4% reduction of personal services funded with general fund.

LFD COMMENT

The reduction in personal services does not permanently remove FTE from the budgeting process. The process used for budgeting FTE will reinstate funding for all positions and could include this funding in the 2015 biennium and beyond.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	628.35	628.35	619.86	619.86	628.35	619.86	(8.49)	(1.35%)
Personal Services	34,558,671	39,266,241	35,808,582	35,827,173	73,824,912	71,635,755	(2,189,157)	(2.97%)
Operating Expenses	13,051,488	13,720,810	13,388,654	13,732,132	26,772,298	27,120,786	348,488	1.30%
Equipment & Intangible Assets	45,420	51,741	45,420	45,420	97,161	90,840	(6,321)	(6.51%)
Grants	5,145,999	5,268,411	5,145,999	5,145,999	10,414,410	10,291,998	(122,412)	(1.18%)
Benefits & Claims	58,111,749	63,869,117	72,882,389	75,130,629	121,980,866	148,013,018	26,032,152	21.34%
Debt Service	1,620	42,953	1,620	1,620	44,573	3,240	(41,333)	(92.73%)
Tutal Costs	**$110,914,947**	**$122,219,273**	**$127,272,664**	**$129,882,973**	**$233,134,220**	**$257,155,637**	**$24,021,417**	**10.30%**
General Fund	58,190,516	65,823,142	63,633,557	64,265,826	124,013,658	127,899,383	3,885,725	3.13%
State Special	10,910,039	12,438,514	13,625,341	14,511,173	23,348,553	28,136,514	4,787,961	20.51%
Federal Special	41,814,392	43,957,617	50,013,766	51,105,974	85,772,009	101,119,740	15,347,731	17.89%
Total Funds	**$110,914,947**	**$122,219,273**	**$127,272,664**	**$129,882,973**	**$233,134,220**	**$257,155,637**	**$24,021,417**	**10.30%**

Program Description

The Addictive and Mental Disorders Division (AMDD) provides chemical dependency and mental health services through contracts with behavioral health providers across the state. People with substance abuse disorders who have family incomes below 200% of the federal poverty level (FPL) are eligible for public funding of treatment services. In addition, the Medicaid program funds outpatient and residential chemical dependency treatment services for adolescents and outpatient services for adults who are Medicaid eligible. The mental health program provides services to adults who are eligible for Medicaid as well as non-Medicaid adults up to 150% of FPL. The division also manages three inpatient facilities: the Montana State Hospital in Warm Springs, Montana Chemical Dependency Center in Butte, and Montana Mental Health Nursing Care Center in Lewistown. The division administers programs through three bureaus: Mental Health Services, Chemical Dependency Services, and Administration.

Program Highlights

Addictive and Mental Disorders Division
Major Budget Highlights

- The AMDD budget request for the 2013 biennium is $24.0 million (about 10%) higher than the 2011 biennium, with $3.9 million supported by general fund
- Reductions in the budget for mental health crisis jail diversion services and in the state matching funds for mental health Medicaid services partially offset increases in funding for services
- Total funds increase $26.0 million due to growth in benefits (services to individuals) for:
  - Extending Medicaid eligibility to low-income adults with a serious and disabling mental illness - $17.0 million
  - Additional changes in Medicaid eligibility and service utilization of about $10.0 million
- Personal services are a net $2.1 million lower in the 2013 biennium compared to the 2011 biennium due to:
  - Elimination of funding for 8.49 FTE as part of the Governor's 4% FTE reduction, which offsets the request to reinstate overtime, shift differential, and holiday pay for state institution staff that was removed from base budget expenditures
  - Correction of workers' compensation rates, which were too high for nondirect care staff at state mental health institutions
- Operating costs grow about $0.4 million, primarily due to inflation in medical, food, and prescription costs for state mental health institutions
- General fund increases are partially offset by reductions of $1.9 million to reduce the Mental Health Services Plan appropriation to the FY 2010 appropriated level

Major LFD Issues

- The state may be at risk for higher Medicaid costs for adult mental health services than projected in the executive budget
- It is unclear how the newly approved Medicaid waiver to expand Medicaid coverage to 800 MHSP enrollees will be incorporated into the executive proposal for a 5 county fully capitated Medicaid managed care proposal
- Overall state expenditures for the Mental Health Services Plan will be higher due to the maintenance of effort required for the waiver to move individuals from the state funded program to Medicaid services
- The state funding maintenance of effort for the Mental Health Services Plan (MHSP) required by the new Medicaid waiver that will transition 800 individuals from MHSP to Medicaid may limit legislative flexibility to establish spending levels for the program
- There is about $300,000 in additional alcohol tax state special revenue that could be used to offset general fund supporting chemical dependency services or fund present law adjustments for Medicaid chemical dependency services and Montana Chemical Dependency Center that were not funded in the executive budget request
- The legislature would need to amend statutes governing the alcohol state special revenue account to transfer the balance to the general fund if it were to implement the proposed the 5% reduction plan

Program Narrative

Goals and Objectives

2011 Biennium Goals

The Legislative Finance Committee recommends the legislature review updated information for performance measurement(s) tracked during the 2011 interim. AMDD reported on the following goals and will provide data for consideration by the 2011 joint appropriations subcommittee.

- Establish consumer choice by increasing the availability of services for individuals enrolled in the Mental Health Services Plan
- Achieve a 10% reduction in the number of persons readmitted to Montana State Hospital within six months of a previous discharge
- Provide community crisis intervention and integration into community services as an alternative to inpatient or state hospital treatment
- Evaluate the impact of new community services on utilization of MSH
- Fill 125 slots for Home and Community Based Services Waiver in three geographic areas of the state
- Improve chemical dependency and meth treatment outcomes through expanded community treatment

The LFC performance workgroup for DPHHS reviewed each of these goals at its June 2010 meeting and deemed each to be on track. The workgroup requested that DPHHS provide updates for the joint appropriations subcommittee since the goals relate to evaluation of major initiatives funded by the legislature in the last several biennia and would be useful in establishing program appropriations.

Division Budget Discussion

There are two basic ways to compare budget changes for the 2013 biennium. The first is to compare the difference from the 2011 biennium, which is about $24.0 million for AMDD. The second way is to compare each year of the 2013 biennium to the FY 2010 base budget expenditures, which is about $35.3 million, and is the basis used by the legislature for appropriation decisions.

A biennial comparison includes changes in appropriations from FY 2010 to FY 2011, which is important in programs with Medicaid services. Historically, there are ongoing annual increases in Medicaid service utilization and usually in the number of persons eligible for services, unless the legislature, DPHHS, or federal policies make programmatic changes that lower annual cost growth. So absent programmatic changes, the FY 2011 cost for Medicaid services will be higher than the FY 2010 cost. Therefore, the total cost increase between biennia is usually smaller than the 2013 biennium budget request compared to the base budget doubled.

The main program table for AMDD shows the biennial comparison. However, the appropriation decisions the legislature will make are based on the difference from the base budget.

Major Changes Proposed for Legislative Consideration

The major components of the AMDD 2013 biennium executive budget request compared to the 2010 base budget are:

- $17.0 million total funds to extend Medicaid eligibility to low-income adults with a serious and disabling mental illness and provide mental health services as well as a basic package of physical health services
- $16.5 million total funds ($3.9 million general fund) for increases in Medicaid service utilization and eligibility changes, including the annualization of the FY 2011 expansion of the home and community based services waiver
- $3.8 million general fund, with a like reduction in federal funds, since the temporary 10% increase in the federal Medicaid match rate in FY 2010 will not continue
- $3.3 million general fund for state institution changes, including requests to restore overtime, holiday, and shift differential pay; funding for aggregate positions; and inflation in operating costs

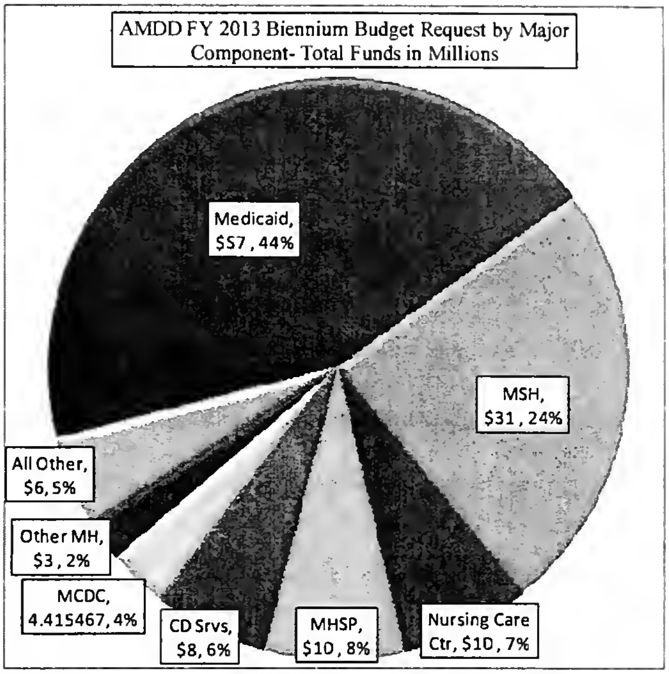
Requests for increases in funding are partially offset by funding reductions of:

- o $1.9 million general fund to reduce expenditures in MHSP that had been supported by a transfer from savings in workers' compensation costs at the state mental health institution
- o $1.2 million general fund to eliminate all but about $54,000 of the $1.2 million appropriated (by the 2009 Legislature) to implement mental health crisis jail diversion services
- o $1.0 million general fund to eliminate 8.49 FTE as part of the Governor's 4% FTE reduction

Major Components – AMDD Budget

Figure 29 shows the major expenditures for the FY 2013 AMDD budget request. Medicaid services (adult mental health and chemical dependency) are the largest share - $57.0 million (46% of the total). The three state institutions administered by AMDD together account for $45.1 million in total funds or 35% of the total division budget. AMDD also administers nonMedicaid community services. The Mental Health Services Plan (MHSP) for low-income adults with a serious and disabling mental illness is about 8% of the total and community chemical dependency services are about 6%.

Figure 29



Cost Drivers

The major cost drivers in the AMDD budget are Medicaid services, especially those that are entitlement services, and state institution services. Changes in these two components can have a major impact on AMDD expenditures – especially general fund costs.

2013 Biennium Budget Compared to FY 2010 Base Budget

Figure 30 shows the FY 2010 base budget compared to the AMDD executive budget request. The first part of the table shows the budget by major function. The second part shows the budget for each state facility administered by AMDD. The final portion of the table shows base expenditures and requested appropriations for each major grant and service administered by AMDD. Total expenditures for each major component are shown by fund type.

Figure 30

Addictive and Mental Disorders Division FY 2010 Base Budget Expenditures Compared to 2013 Biennium Executive Budget Request													
Budget Component	FY 2010 Base Budget Expenditures				FY 2012 Executive Budget Request				FY 2013 Executive Budget Request				% of Ttl
Function/Benefit	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	Division
Total Division													
Division Admin	$946,165	$169,099	$270,330	$1,385,594	$1,040,530	$167,943	$264,301	$1,472,774	$1,048,833	$169,244	$272,822	$1,490,899	1 1%
Mental Health	55,145,957	5,722,001	31,883,116	92,751,074	60,324,618	8,296,015	40,237,420	108,858,053	60,948,253	9,174,517	41,321,661	111,444,431	85 8%
Addiction Services	2,098,394	5,018,939	9,660,946	16,778,279	2,268,409	5,161,383	9,512,045	16,941,837	2,268,740	5,167,412	9,511,491	16,947,643	13 0%
Total Division	$58,190,516	$10,910,039	$41,814,392	$110,914,947	$63,633,557	$13,625,341	$50,013,766	$127,272,664	$64,265,826	$14,511,173	$51,105,974	$129,882,973	100 0%
Percent of Total	52.5%	9 8%	37 7%	100 0%	50 0%	10 7%	39.3%	100 0%	49.5%	11.2%	39 3%	100 0%	
State Institution Costs													
State Hospital	$29,761,776	$447,815	$0	$30,209,591	$30,528,146	$447,815	$0	$30,975,961	$30,722,591	$447,815	$0	$31,170,406	24 0%
Nursing Care Center	8,646,058	0	0	8,646,058	9,362,524	0	0	9,362,524	9,506,656	0	0	9,506,656	7 3%
Chemical Dependency Cnt	0	4,305,618	8,592	4,314,210	0	4,402,537	8,592	4,411,129	0	4,406,875	8,592	4,415,467	3 4%
Subtotal Institutions	$38,407,834	$4,753,433	$8,592	$43,169,859	$39,890,670	$4,850,352	$8,592	$44,749,614	$40,229,247	$4,854,690	$8,592	$45,092,529	34.7%
% of Total Division Budget	66 0%	43 6%	0.0%	38.9%	62.7%	35.6%	0.0%	35 2%	62 6%	33.5%	0 0%	34.7%	
Grants*													
Mental Health Grants													
Mental Health Srvs Plan	$363,500	$0	$0	$363,500	$363,500	$0	$0	$363,500	$363,500	$0	$0	$363,500	0.3%
72 Hr Crisis Care	200,000	0	0	200,000	200,000	0	0	200,000	200,000	0	0	200,000	0 2%
Crisis Diversion/Treatment	673,849	0	0	673,849	54,381	0	0	54,381	54,381	0	0	54,381	0.0%
Drop In Centers	379,080	0	0	379,080	379,080	0	0	379,080	379,080	0	0	379,080	0.3%
PATH/Homeless Services	89,438	0	268,313	357,751	89,438	0	268,313	357,751	89,438	0	268,313	357,751	0.3%
Suicide Prevention	187,500	0	0	187,500	187,500	0	0	187,500	187,500	0	0	187,500	0.1%
Service Area Authority	85,000	0	0	85,000	85,000	0	0	85,000	85,000	0	0	85,000	0 1%
Addiction Services													
Community Services	0	0	2,877,586	2,877,586	0	0	2,877,586	2,877,586	0	0	2,877,586	2,877,586	2.2%
Subtotal Grants**	$1,978,367	$0	$3,145,899	$5,124,266	$1,358,899	$0	$3,145,899	$4,504,798	$1,358,899	$0	$3,145,899	$4,504,798	3.5%
% of Total Division Budget	3 4%	0.0%	7.5%	4.6%	2 1%	0 0%	6.3%	3 5%	2.1%	0 0%	6 2%	3.5%	
Benefits/Services*													
Medicaid**													
Mental Health	$2,344,752	$2,672,498	$19,268,662	$24,285,912	$7,670,388	$2,672,498	$20,248,399	$30,591,285	$7,920,791	$2,672,498	$20,327,499	$30,920,788	23 8%
Mental Health Expansion/ HIFA Waiver	0	0	0	0	0	1,226,487	6,434,471	7,660,958	0	1,843,997	7,491,698	9,335,695	7.2%
HCBS Waiver Srv	(7,781)	483,367	1,692,104	2,167,690	0	1,278,018	2,501,982	3,780,000	0	1,295,028	2,484,972	3,780,000	2.9%
PACT	1,621,875	0	3,365,442	4,987,317	1,742,304	0	3,410,862	5,153,166	1,765,590	0	3,387,576	5,153,166	4.0%
ICBR	827,180	0	1,716,425	2,543,605	860,474	0	1,684,526	2,545,000	871,974	0	1,673,026	2,545,000	2.0%
Institutional Reimbursement	0	0	3,482,976	3,482,976	0	0	3,482,976	3,482,976	0	0	3,482,976	3,482,976	2.7%
Chemical Dependency	95	405,500	1,357,820	1,763,415	170,704	405,500	1,187,211	1,763,415	170,704	405,500	1,187,211	1,763,415	1 4%
Other Benefits													
Mental Health Services													
Mental Health Srvs Plan	6,594,343	2,060,056	1,144,595	9,798,994	4,650,374	2,613,056	1,202,630	8,466,060	4,650,374	2,857,056	1,202,630	8,710,060	6.7%
PACT - MHSP Slots	960,163	0	0	960,163	977,157	0	0	977,157	977,157	0	0	977,157	0.8%
72 Hr Crisis Care	1,241,296	0	0	1,241,296	1,241,296	0	0	1,241,296	1,241,296	0	0	1,241,296	1.0%
Goal 189 Services	656,418	0	0	656,418	656,418	0	0	656,418	656,418	0	0	656,418	0.5%
Chemical Dependency	1,925,692	1,254	4,487,214	6,414,159	1,925,692	1,254	4,487,214	6,414,159	1,925,692	1,254	4,487,214	6,414,159	4.9%
Adjustments	0	0	(1,865)	(1,865)	0	0	(1,865)	(1,865)	0	0	(1,865)	(1,865)	0.0%
Subtotal Benefits**	$16,164,033	$5,622,675	$36,513,372	$58,300,080	$19,894,806	$8,196,813	$44,638,406	$72,730,025	$20,179,995	$9,075,333	$45,722,937	$74,978,264	57.7%
% of Total Division Budget	27 8%	51 5%	87.3%	52 6%	31 3%	60.2%	89.3%	57 1%	31.4%	62 5%	89.5%	57.7%	

*Benefits and grants totals in this figure will be different than the main division table because crisis diversion/treatment services have been consolidated in grants funding in this table and were allocated between grants and benefits in the executive budget, which forms the main table. Additionally, some costs have been moved from operating to grants and benefits in the base budget to correctly reflect the purpose of the expenditure.

Mental health services are the single largest component of the AMDD budget (86% of the FY 2013 budget request). Chemical dependency services are about 13% and division administration is 1%.

Benefits and claims – payments for services for eligible individuals – is the largest component of the AMDD budget, rising from $58.3 million in FY 2010 to $75.0 in FY 2013, primarily due to the new MHSP Medicaid expansion (HIFA waiver). Personal services is the next largest component (26%), declining slightly from $36.3 million to $35.8 million over the same time period. AMDD has about 630 FTE, most of whom (93%) work in the three state institutions administered by the division.

Institution Budgets

State institution costs are 35% of the total funding requested in FY 2013, but 63% of the general fund budget. The Montana State Hospital (MSH) is the largest with nearly one quarter of the total division budget. While the two state mental health institutions are budgeted from the general fund, some state institution services are reimbursed by Medicare, Medicaid, Indian Health Services, private health insurance, and patient payments. Those reimbursements are first used to pay debt services for the state hospital bond issue with the remainder deposited to the general fund. General fund revenue from AMDD institutions, not including debt service payments, is estimated to be $39.4 million over the 2013 biennium. Figure 31 shows each state institution administered by AMDD, the FY 2010 base budget, the 2013 biennium executive request, and the total state general fund revenue projection.

The three state institutions administered by AMDD account for over 93% of the division FTE. The average daily population at each institution is expected to remain relatively constant through the 2013 biennium. The average daily cost at the two mental health institutions is higher than the base budget, but lower than the FY 2011 appropriation due to proposed funding reductions for FTE and because workers' compensation costs for nondirect care staff were budgeted at too high a rate in the 2011 biennium and are lower in the 2013 biennium.

MSH and the Montana Mental Health Nursing Care Center (MMHNCC) together are projected to generate $20.0 million in general fund revenue over the 2013 biennium. Annual revenues were higher in the base budget year due to higher Medicare and Medicaid payments.

Figure 31

Base Budget Compared to 2013 Biennium Budget Request Institutions Administered by AMDD				
Institution Cost/Funding	Actual FY 2010	Appropriation FY 2011	Executive Request FY 2012	 FY 2013
Montana State Hospital				
FTE	406.40	406.40	402.40	402.40
Personal Services	$23,765,555	$26,741,115	$24,322,269	$24,325,105
All Other	6,444,036	6,794,429	6,653,692	6,845,301
Total	$30,209,591	$33,535,544	$30,975,961	$31,170,406
General Fund	$29,761,776	$33,113,035	$30,528,146	$30,722,591
State Special Rev	447,815	422,509	447,815	447,815
General Fund Revenue	8,582,144	6,926,620	6,944,397	6,926,620
Average Population	185	186	186	186
Costs Per Person	$163,295	$180,299	$166,537	$167,583
Cost Per Day	$447	$494	$456	$459
Annual Change		10.4%	-7.6%	0.6%
Mental Health Nursing Care Center				
FTE	122.20	122.20	119.21	119.21
Personal Services	$5,257,324	$6,171,127	$5,794,142	$5,805,855
All Other	3,388,734	3,499,766	3,568,382	3,700,801
Total	$8,646,058	$9,670,893	$9,362,524	$9,506,656
General Fund	$8,646,058	$9,670,893	$9,362,524	$9,506,656
General Fund Revenue	4,221,948	3,659,762	3,538,032	3,521,024
Average Population	83	82	82	82
Cost Per Person	$104,169	$117,938	$114,177	$115,935
Cost Per Day	$285	$323	$313	$318
Annual Increase		13.2%	-3.2%	1.5%
Montana Chemical Dependency Center				
FTE	57.32	58.25	57.32	58.25
Personal Services	$2,992,998	$3,462,242	$3,092,246	$3,094,466
All Other	1,321,212	1,470,647	1,318,883	1,321,001
Total	$4,314,210	$4,932,889	$4,411,129	$4,415,467
State Special Rev.	$4,305,618	$4,475,894	$4,402,537	$4,406,875
Federal Funds	8,592	456,995	8,592	8,592
Average Population	54	56	56	56
Cost Per Person	$79,893	$88,261	$78,925	$79,003
Cost Per Day	$219	$242	$216	$216
Annual Change		10.5%	-10.6%	0.1%
Total Division Institution Budget				
FTE	585.92	586.85	578.93	579.86
% of Division Total	93.2%	93.4%	93.4%	93.5%
General Fund	$38,407,834	$42,783,928	$39,890,670	$40,229,247
% of Division Total	66.0%	65.0%	62.7%	62.6%
Total Funds	$43,169,859	$48,139,326	$44,749,614	$45,092,529
Annual Change		11.5%	-7.0%	0.8%
General Fund Revenue	$12,804,091	$10,586,382	$10,482,430	$10,447,644

Grants

Grants are funds that are awarded to entities that provide public services without regard to specific eligibility criteria. Grants are about 4% of the division budget in FY 2013. The largest grant expenditure is funded from the federal chemical dependency block grant and supports local state approved programs. Other grants fund mental health services and are largely supported by general fund.

Crisis Diversion/Treatment
The 2009 Legislature passed a trio of bills (HB 130, HB 131, and HB 132) recommended by an interim legislative study and approved an annual $1.2 million general fund appropriation for:
- o A grant program to counties (based on available funding) to implement jail diversion services
- o DPHHS to contract for community secure crisis beds
- o Short-term inpatient voluntary mental health treatment

The majority of funds from the $1.2 million general fund appropriation supported the grant program for counties. Spending from the FY 2010 appropriation was reduced by about $600,000 in response to 17-7-140, MCA (Governor's February 2010 spending reductions in response to declining general fund revenues). The executive budget eliminates all but $54,000 of the remainder of ongoing funds for the crisis diversion services as part of the 5% reduction plan required to be submitted as part of its budget request each biennium.

FY 2010 Crisis Diversion Grants
AMDD contracted with several counties to implement jail diversion services. Each project is summarized.

Yellowstone County (Partners include: Big Horn, Carbon, Fergus, Golden Valley, Judith Basin, Musselshell, Petroleum, Stillwater, Sweet Grass, and Wheatland)
- o Funded current operations at Billings Community Crisis Center: 3,452 visits during grant period (1,437 unduplicated)
- o Completed one Crisis Intervention Team (CIT) training event for 40 participants and four WRAP (Wellness, Recovery Action Plan) training events
- o Purchased medical and facility equipment to support patient care

Missoula County
- o Funded about 2.25 FTE to assist with jail diversion and crisis intervention program to serve Missoula county and to provide training for crisis intervention teams, suicide prevention/intervention for law enforcement, and detention center staff
- o Installed a padded detention cell in Missoula county detention center
- o Supported 444 law enforcement response to calls (emergency evaluation/suicide risk) or an average of 49 per month

Ravalli County
- o Funded preliminary architectural report, planning, and land acquisition (permitting, utilities, road access) for a six bed secure crisis stabilization facility in Hamilton to be completed February 2011

Lewis and Clark County (Partners: Broadwater, Meagher, Jefferson)
- o Supported multi county coordination and mental health crisis planning development and implementation for four county service area through utilization of behavioral health unit at St. Peter's Hospital in Helena to provide emergency and court ordered detention beds and crisis intervention and stabilization as needed
- o Provided crisis intervention training for 48 staff employed by Lewis and Clark county, 5 staff employed by Jefferson county, 6 staff employed by Broadwater County, and 4 staff employed by Meagher County

The division also contracted for one community crisis bed each in Butte and Bozeman, with guarantees for payment if the bed is not occupied. The 2011 biennium cost estimated for these contracts is $337,500.

LFD COMMENT

Use of Remainder of Crisis Jail Diversion Funds

The legislature provided funding for this purpose in HB 2 as an ongoing function. LFD staff has requested that AMDD discuss how it will use the remaining crisis jail diversion funds with the legislature, and the impacts of eliminating all but $54,000 in funding for the program.

Other Grant Expenditures

AMDD provides grants to fund mental health drop in centers. Figure 32 shows each site funded, including a grant to support statewide efforts.

Services for homeless mentally ill persons are funded from a federal categorical grant. The PATH grant requires a 25% state match.

Suicide prevention services support two statewide call centers for people who need immediate assistance.

Figure 32

Grants to Mental Health Drop In Centers - FY 2010		
Name of Grantee	Location	Amount
Eastern MT Mental Health Center	Miles City	$16,524
Western MT Center Mental Hlth	Gallatin County	68,886
Mental Health America of MT*	Statewide	50,760
South Central Mental Health Center	Billings	155,898
Western MT Mental Health Center	Livingston	87,012
Total		$379,080
*Formerly Montana Mental Health Association.		

AMDD also provides grants to support citizen and consumer participation in Service Area Authorities, which provide advice to AMDD about mental health services.

Benefits (Services) Costs

Benefits costs are 58% of the FY 2013 budget request, but 31% of total general fund because a significant portion of costs are supported by federal grant funding and federal Medicaid matching funds. State special revenue budgeted as state Medicaid match also reduces general fund cost for AMDD benefits.

Mental health Medicaid services are about 45% of the total division budget. Adult mental health services increase about 15% per year from the FY 2010 base budget through FY 2012 and level off rising 1% between FY 2012 and FY 2013.

LFD COMMENT

Medicaid Cost Trends

Historically, adult mental health Medicaid costs have risen more than 5% per year. Although some of the growth is related to provider rate increases, eligibility and service utilization are the most predominant factors influencing cost trends. Moderations or declines in Medicaid program costs have been related to specific policy or programmatic changes.

AMDD has begun the rule making process to reduce case management rates that will become effective during the legislative session. DPHHS is proposing to undertake a five county Medicaid managed care program with the expectation that costs will be reduced by 10%. However, the spending reductions due to these proposals are not included in the AMDD Medicaid 2013 biennium cost estimate. It is unclear what other specific programmatic or policy changes are included in the AMDD Medicaid budget that would reduce the cost trend from an historic growth rate of over 5% to 1% between FY 2012 and FY 2013. The risks associated with estimating Medicaid cost trends are discussed in the DPHHS agency overview.

Mental Health Expansion/HIFA Waiver

AMDD manages the state funded Mental Health Services Plan (MHSP), including a limited prescription drug benefit. Services are provided to adults with a serious and disabling mental illness with incomes under 150% of the federal poverty level. Funding is from the general fund, health and Medicaid initiatives tobacco tax state special revenue, and federal block grant funds. MHSP service costs in Figure 2 are listed in the "Other Benefits" category, but are related to the Mental Health Expansion/HIFA waiver.

DPHHS received federal approval in late November 2010 to implement a waiver of federal regulations for a limited Medicaid expansion. The mental health expansion waiver will allow up to 800 individuals currently served in state funded MHSP services to transition to Medicaid funded mental health services and receive a basic package of physical health services as well. Currently MHSP funds some mental health services and a limited $425 monthly prescription benefit. This waiver will expand both mental health and prescription services available to the 800 enrollees as well as add a physical health component. The legislature has discussed this waiver with DPHHS over the last several years.

Historically, the waiver was called the HIFA waiver (Health Insurance Flexibility and Accountability). The components of the waiver have changed over the years due to federal requirements. Originally, the waiver anticipated expanding services to children transitioning from the children's mental health system to adult mental health services, but that portion of the waiver was not approved.

AMDD will begin to transition 50 individuals per month from MHSP to Medicaid services starting December 1, 2010 with all slots filled by October 2011. Individuals will be picked by lottery. MHSP enrollees with a diagnosis of schizophrenia will receive first enrollment priority followed by those with a diagnosis of bipolar disorder.

Maintenance of Effort
The state is required to maintain the level of state funding for the MHSP program that it spent in federal fiscal year 2009 as a condition of receiving the waiver - $8,860,518 million annually. AMDD is allowed to count state matching funds for the waiver as part of the maintenance of effort (MOE) in addition to state funds spent for the regular nonMedicaid portion of the MHSP program.

Figure 33 shows the amounts in the 2013 biennium executive budget request that can count toward the waiver MOE compared to the MOE funding level. Including state funded grants supporting MHSP, PACT (Program for Assertive Community Treatment), and the mental health expansion waiver, the estimated amount requested in the executive budget that can count toward maintenance of effort is:

- o $9,467,074 in FY 2012
- o $10,328,584 in FY 2013

There is $2.1 million in state funds supporting MHSP services above the level required for the MOE.

Figure 33

State Funds Supporting MHSP and the Medicaid Expansion/HIFA Waiver						
	FY 2012 Executive Budget Request			FY 2013 Executive Budget Request		
MHSP Budget Component	General Fund	SSR	Total	General Fund	SSR	Total
Mental Health Expansion/HIFA Waiver	$0	$1,226,487	$1,226,487	$0	$1,843,997	$1,843,997
Mental Health Srvs Plan	4,650,374	2,613,056	7,263,430	4,650,374	2,857,056	7,507,430
PACT - MHSP Slots	977,157	0	977,157	977,157	0	977,157
Funds Available for MOE	$5,627,531	$3,839,543	$9,467,074	$5,627,531	$4,701,053	$10,328,584
MOE Requirement			8,860,518			8,860,518
Funding in Excess of MOE Requirement			$606,556			$1,468,066
Number Served with Excess MOE Based on FY 2010 Cost			209			507

LFD ISSUE

Maintenance of Effort

It appears that the amount included in the executive budget for the waiver MOE is in excess of the amount required by $606,556 in FY 2012 and $1,468,066 in FY 2013. The legislature may wish to review the level of funding for MHSP. LFD staff has requested that AMDD provide information about the impact of budgeting state funds for MHSP only at the MOE level, which would reduce the total funds available for MHSP nonMedicaid services by $2.1 million over the biennium.

Match Rate

The mental health expansion waiver budget request does not include sufficient state funds to pay the required Medicaid match for the waiver. AMDD has indicated it will transfer funds from the Mental Health Services Plan (MHSP) as state match for the waiver. The additional match needed is $1.3 million in FY 2012 and $1.9 million in FY 2013. AMDD has indicated it will transfer health and Medicaid initiative state special revenue from the regular MHSP program to fund the additional Medicaid match required for the waiver. That transfer is not reflected in the executive budget request.

Home and Community Based Services (HCBS) Waiver

AMDD administers another waiver that provides intensive community support services to Medicaid eligible persons with a serious and disabling mental illness who meet level of care criteria for nursing home or hospital services. This waiver is similar to the one managed by the Senior and Long Term Care Division for physically disabled and elderly persons. The AMDD HCBS waiver was initiated in the 2007 biennium. Figure 34 shows the number of service slots by location.

Figure 34

HCBS Waiver Sites and Capacity		
Site	Actual FY10	Estimated FY11
Billings	46	46
Butte	35	40
Great Falls	39	39
Missoula	0	30
Total Service Slots	120	155

LFD COMMENT

Waiver Cost

LFD staff has requested additional information about the annual cost of HCBS waiver services. Preliminary data received shows a substantial difference in the per slot cost from FY 2008 to FY 2010. LFD will provide historic and projected waiver costs to the legislature for consideration in establishing the appropriation for the HCBS waiver in the 2013 biennium.

PACT and ICBR

The Program for Assertive Community Treatment (PACT) is provided to Medicaid eligible persons and to MHSP eligible persons. PACT and intensive community based rehabilitation (ICBR) provide stable living and treatment environments for persons who are at high risk of placement in MSH or who transitioned from MSH to the community. ICBR are intensive level adult group home services for persons who have previously been unsuccessful in community placements. PACT is a team of professional and paraprofessionals who work with groups of individuals who must be able to live independently in the community and typically have psychotic disorders.

Figure 35

PACT Slots Available Compared to Filled		
Location	Slots	Filled Slots*
Billings	82	82
Great Falls	70	62
Helena	118	115
Kalispell	70	68
Butte	60	56
Missoula	70	56
Total	470	439

*As of November 19, 2010.

There were 406 PACT slots budgeted in FY 2010, but 470 slots available. The increase is due to providers expanding PACT programs. There was a total of 534 persons enrolled in PACT services during FY 2010 at an annual average per capita cost of $11,138. Figure 35 shows the number of PACT slots available during FY 2011 and the number filled as of November 2011. 36 persons received ICBR services in FY 2010 at an average cost of $70,656 per person.

Institutional Reimbursement

Institutional reimbursement accounts for some of the revenues received for state institution services. The federal funds budget allows the state to spend the federal portion of Medicaid funds to claim the match, which is deposited to the state general fund.

Chemical Dependency Services
Chemical dependency Medicaid services are budgeted to remain at $1.8 million throughout the 2013 biennium.

LFD ISSUE

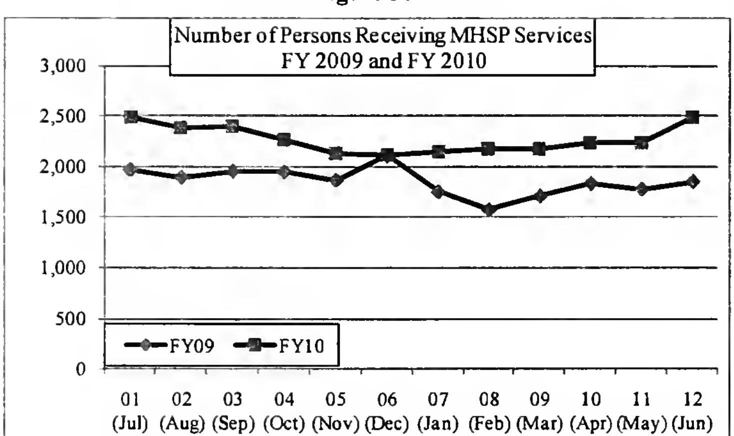
Caseload Adjustments, Medicaid Match, and Addition of General Fund

Caseload and Match

The executive budget does not include additional funds for changes in the number of persons eligible for Medicaid chemical dependency services or service utilization. Nor does it include additional state special revenue to pay the increase in the state match rate. The present law executive budget submitted to the LFD on November 1, 2010 included about $220,000 over the biennium for both of these adjustments. However, the present law adjustments were removed from the final executive request due to insufficient revenue in the alcohol state special revenue account. Chemical dependency Medicaid services are an entitlement, meaning that if a person is eligible and the service is medically necessary, the state must provide the service. AMDD will need to transfer funds from other programs, or reduce provider rates or service levels if the costs exceed the amount requested in the executive budget.

Addition of General Fund
When the executive budget was developed, Medicaid programs were augmented with general fund equal to the reduction in the temporary increase in the federal Medicaid match rate. Chemical dependency Medicaid services had a general fund appropriation of $95 for state Medicaid match in FY 2010, with the balance of the state match ($405,500) supported by alcohol tax state special revenue. The base budget adjustment authorized by HB 645 to account for the discontinuation of the enhanced federal match rate increased the general fund support for chemical dependency Medicaid match to $170,704. Historically, the entire state match for these services would have been paid from the alcohol state revenue account, but expenditures exceed the revenues in the account.

Figure 36



Mental Health Services Plan (MHSP)
MHSP services are funded from the general fund, health and Medicaid initiatives tobacco tax state special revenue, and federal block grant funds. The state special revenue will be transferred to fund the remaining state match required for the mental health Medicaid expansion/HIFA waiver discussed previously. Figure 36 shows the number of persons receiving MHSP services by month for both FY 2009 and FY 2010. The average number increased from 1,856 in FY 2009 to 2,271 in FY 2010.

Increased enrollment caused costs to rise. AMDD took actions to reduce costs, including:

- Centralizing eligibility determination
- Limiting eligibility to those in crisis
- Lower case management rates

Costs exceed the MHSP appropriation despite these management actions. About $1.0 million in general fund was transferred to the program from state institution appropriations to cover the shortfalls. State institution workers' compensation rates for some staff were too high, resulting in excess appropriation authority. The executive budget removes the transfer.

As noted previously, 800 individuals will transition out of MHSP services to the new mental health expansion waiver and AMDD will transfer state funds from the MHSP program to fully fund state matching requirements for the Medicaid

waiver. LFD staff has asked AMDD to evaluate the amount remaining in the MHSP appropriation and provide information on the numbers of persons that can be served in the state program.

MHSP Funding Change

The 2007 Legislature increased general fund support for MSHP to move from a block grant reimbursement to a fee for service reimbursement methodology. The legislature hoped that more persons could be served more quickly and that more providers would participate in MHSP. Due in part to the MHSP cost overruns in FY 2010, DPHHS began the rule making process in late November 2010 to allow it to move back to block grant funding for MHSP. The rule will be effective during the 2011 legislative session. Block grant funding means that a contracting entity (most likely community mental health centers) will accept a fixed level of funding to provide MHSP services.

LFD COMMENT

Impact of Block Grant Funding

Due to time constraints, information on the impact of moving to block grant funding could not be included in the LFD budget analysis. LFD staff has requested that AMDD provide the following information for legislative consideration:

- Total level of block grant funding compared to FY 2010 base expenditures
- Estimated number of persons served in FY 2010 compared to the block grant funding level
- Estimated impact on service availability under block grant funding

72 Hour Crisis Stabilization

72 hour community crisis stabilization services were initiated in FY 2008. 72 hour crisis stabilization services provide funding for up to 72 hours to evaluate and stabilize a person in crisis. AMDD began implementation by contracting for pilot programs and expanded to all providers July 1, 2009.

Goal 189 Gap Funding

In February 2008, DPHHS declared an exigency situation (difficult situation requiring urgent action) at MSH due to the ongoing high census and implemented Goal 189 to lower the population to 189 or less. DPHHS used some of the excess general fund in Medicaid appropriations (Goal 189 gap funding) to support development of community services for persons ready to be discharged from the state hospital. Services provided include: group home, Program for Assertive Community Treatment (PACT), adult foster care, and medications. There are no eligibility criteria to receive Goal 189 gap funding other than a person needs to be ready for discharge from MSH and has no other payment source available to purchase services. AMDD spent $1,058,492 general fund in FY 2009 in Goal 189 gap funding, with outlays dropping to $656,418 in FY 2010.

Chemical Dependency Services

Chemical dependency services are funded from general fund, a small amount of alcohol state special revenue, and a federal categorical grant. Federal grant funds support local programs that provide addiction services to persons with incomes under 200% of the federal poverty level.

The general fund supports seven residential and supportive living services located throughout Montana that were developed in late FY 2008. The goal of the services is to treat addiction, with a focus on methamphetamine. Figure 37 shows contracted service sites and capacity in FY 2010.

Figure 37

Program Data for Meth Treatment Services						
Program	Location	Facility Type	Date Opened	Unduplicated Number Served	Average Length of Stay	Beds
Eastern Montana Community Mental Health Center	Miles City	Men	March 2008	20	388	8
White Sky Hope	Box Elder	Native American Men	July 2008	15	298	8
Flathead Valley CD	Kalispell	Women	September 2008	24	216	8
Gateway Community Services	Great Falls	Native American Women	April 2008	31	197	8
Alcohol & Drug Services of Gallatin County	Bozeman	Men	June 2008	24	177	8
White Birch	Billings	Men				6
Rimrock Treatment Center	Billings	Men and Women	January 2008	80	155	2
Elkhorn Treatment Center	Boulder	Women	March 2008	40	164	4
Source: AMDD, November 26, 2010.						

LFD COMMENT

Evaluation/Outcome Data

LFD staff requested available evaluation data for meth treatment services. AMDD is compiling the data and will discuss it with the legislature.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

The executive budget proposal includes $ 2.2 million in general fund reductions as well elimination of funding for 8.49 FTE. The balance of the general fund ($0.4 million) and alcohol tax ($0.1 million) reductions is not included in the executive budget.

Impact of the Reductions Included in the Executive Budget

Reduce transfer of MHSP overage – AMDD transferred general fund to MHSP in FY 2010, using excess general fund appropriated to the state mental health institutions. MHSP costs exceeded the appropriation and there was excess general fund in state mental health facilities budgets because workers' compensation rates budgeted for some institution employees was too high. This proposal reduces the MHSP expenditures by $1.0 million general fund per year to offset the transfer. The impact of this reduction will be to reduce the number of persons eligible to receive MHSP services or to reduce the amount of services provided to MHSP enrollees.

17-7-140 operation efficiencies – AMDD will reduce various operating costs, including travel, supplies, cell phone usage, and contracting.

17-7-140 HB 2 mental health crisis jail diversion funding HB 130 – The impact of this reduction would be to remove all but about $54,000 of the general fund appropriated for these services.

LFD COMMENT

Impact of Elimination of Mental Health Crisis Jail Diversion Funding

LFD staff has requested that AMDD discuss the impact of removing funding for jail diversion crisis services with the legislature.

4% FTE reduction – This proposal will remove funding for 8.49 FTE. 4.50 of the FTE are at the Montana State Hospital. Most of the FTE are vacant. However, 1.00 FTE is filled. 0.50 FTE is one of the 5 half time mental health peer specialist positions added two biennia ago. The impact of removing funding for the FTE is that other positions will absorb additional duties or the duties may no longer be performed.

Impact of Other 5% Reductions

Reduce targeted case management rates – This proposal would reduce rates for targeted case management services based on a time study. The impact would be to lower reimbursement to mental health services providers. DPHHS has proposed rules to implement this rate reduction that would be effective during the legislative session. Therefore, the legislature could act on this proposal during the legislative session.

MCDC reduction in food service costs – This 5% reduction would lower the alcohol state special revenue appropriation for MCDC food services. The facility would need to lower other costs to absorb the reduction or substitute lower cost food items.

LFD COMMENT

Amendment to Statute Required

The legislature would need to amend statute to require transfer of alcohol state special revenue to the general fund. 53-24-108 and 53-24-206, MCA allocate the alcohol taxes to specific uses and appropriate remaining balances in the account at fiscal year end to state approved local chemical dependency programs.

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table
Addictive & Mental Disorders

Program Funding		Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000	Total General Fund	$ 58,190,516	52.5%	$ 63,633,557	50.0%	$ 64,265,826	49.5%
	01100 General Fund	58,190,516	52.5%	63,633,557	50.0%	64,265,826	49.5%
02000	Total State Special Funds	10,910,039	9.8%	13,625,341	10.7%	14,511,173	11.2%
	02034 Earmarked Alcohol Funds	4,824,314	4.3%	4,966,758	3.9%	4,972,787	3.8%
	02053 Medicaid Nursing Home Match	1,043,037	0.9%	1,043,037	0.8%	1,043,037	0.8%
	02217 Amdd/Doc Shared Position	77,708	0.1%	77,708	0.1%	77,708	0.1%
	02384 02 Indirect Activity Prog 33	91,391	0.1%	90,235	0.1%	91,536	0.1%
	02691 6901-Msh/Doc Maint Agreement	447,815	0.4%	447,815	0.4%	447,815	0.3%
	02772 Tobacco Hlth & Medicd Initiative	4,340,050	3.9%	6,914,188	5.4%	7,792,708	6.0%
	02987 Tobacco Interest	85,724	0.1%	85,600	0.1%	85,582	0.1%
03000	Total Federal Special Funds	41,814,392	37.7%	50,013,766	39.3%	51,105,974	39.3%
	03082 Spfsig Cfda 93.243	2,290,287	2.1%	2,290,287	1.8%	2,290,287	1.8%
	03171 Data Infrastructure Development	96,395	0.1%	96,189	0.1%	96,159	0.1%
	03505 93.150 - Mntal Hlth - Homeless	294,364	0.3%	294,364	0.2%	294,364	0.2%
	03507 93.958 - Mntal Hlth - Blk Grt	1,143,741	1.0%	1,201,776	0.9%	1,201,776	0.9%
	03508 93.959 - Adad - Blk Grt 100%	5,949,741	5.4%	5,961,404	4.7%	5,961,013	4.6%
	03580 6901-93.778 - Med Adm 50%	890,781	0.8%	959,693	0.8%	959,270	0.7%
	03583 93.778 - Med Ben Fmap	30,883,428	27.8%	38,950,427	30.6%	40,034,958	30.8%
	03601 03 Indirect Activity Prog 33	265,655	0.2%	259,626	0.2%	268,147	0.2%
Grand	Total	$ 110,914,947	100.0%	$ 127,272,664	100.0%	$ 129,882,973	100.0%

AMDD services are funded from general fund, state special revenue, and federal funds. General fund provides 50% of the funding in FY 2013 and supports:

- The two state mental health institutions
- Most of state match for adult mental health Medicaid services
- A portion of the cost for the state funded Mental Health Services Plan for low-income adults with a serious and disabling mental illness
- Community methamphetamine treatment facilities
- A portion of administrative costs

AMDD is also funded from two major state special revenue sources that account for 11% of total funding in the FY 2013 budget request. The major sources of state special revenue, source of funding, and functions supported are:

- Health and Medicaid initiatives tobacco tax state special revenue pays a portion of state match for adult mental health Medicaid services, the cost of the MHSP program for prescription drug services, and the state match for the newly approved Medicaid waiver to expand basic Medicaid physical health services to 800 individuals formerly served in MHSP
- Alcohol taxes fund community chemical dependency services, a portion of the cost for MCDC, state matching funds for Medicaid chemical dependency services, and a portion of division administrative costs
- County funds for the support of community mental health centers (recorded as Medicaid nursing home match) are transferred to AMDD to pay a portion of the mental health state Medicaid match
- Tobacco settlement trust fund interest for a portion of mental health state Medicaid match

Alcohol Tax Funding

Figure 38 shows the actual and estimated balance in the alcohol state special revenue account for the base budget and the 2013 biennium executive request. The majority of the revenue is from a portion of the liquor license tax, with smaller amounts from wine and beer taxes allocated to DPHHS. There are two statutory appropriations from these revenues: 20.0% to be distributed as grants to state approved public and private alcoholism programs and 6.6% to be distributed to state approved programs for the treatment of persons with alcoholism and mental illness. In addition, balances remaining from alcohol taxes in the account at fiscal year end are statutorily appropriated for distribution to state approved programs the following year. The two remaining revenues – DPHHS cost recovery and other receipts – are not subject to the statutory appropriation.

Figure 38

Earmarked Alcohol Tax Revenue and 2013 Biennium Budget Request					
Revenue/Expenditures	Base	Appropriation	Executive Budget		% of
Fund Balance	FY 2010	FY 2011**	FY 2012	FY 2013	Total
Beginning Balance	$491,252	$0	$0	$63,956	
Revenues*					
Liquor License	$5,367,409	$5,528,000	$5,757,000	$5,998,000	73.5%
Beer Tax	937,912	970,000	984,000	998,000	12.2%
Wine Tax	884,708	959,000	1,003,000	1,046,000	12.8%
DPHHS Cost Recovery***	129,699	115,000	115,000	115,000	1.4%
Total Revenue	7,319,728	7,572,000	7,859,000	8,157,000	100.0%
Annual Percent Change		3.4%	3.8%	3.8%	
Total Funds Available	7,810,980	7,572,000	7,859,000	8,220,956	
Disbursements					
Chemical Dependency Cntr (MCDC)	4,305,618	4,475,766	4,402,537	4,406,875	55.7%
Distribution to Counties***	1,487,274	1,491,400	1,548,800	1,608,400	20.3%
Services for Dually Diagnosed***	474,542	492,162	511,104	530,772	6.7%
Cost Allocated Administration	317,170	331,443	345,715	376,830	4.8%
CD Operations	287,718	338,562	333,243	334,934	4.2%
Justice - Crime Lab DUI Tests	307,742	302,618	326,068	327,687	4.1%
CD Medicaid Services/Admin.	210,875	320,606	210,875	210,875	2.7%
Pay Plan and Retirement	0	53,922	0	0	0.0%
Quality Assurance-Licensure	73,268	67,480	71,076	70,945	0.9%
Department of Corrections-Pine Hills	25,523	25,523	25,523	25,523	0.3%
CD Benefits - nonMedicaid	20,103	8,610	20,103	20,103	0.3%
Total Disbursements	7,509,833	7,908,092	7,795,044	7,912,944	100.0%
Adjustments****	(301,147)	0	0	0	
Ending Fund Balance	$0	($336,092)	$63,956	$308,012	
Spending Reductions Needed to Balance		(336,092)			

*Revenue estimates for liquor license, beer and wine tax are based on action taken by the Interim Revenue and Transportation Oversight Committee on November 19, 2010. DPHHS costs recovery uses DPHHS estimates.

** FY2011 budgeted amounts are based on 2009 legislative appropriations, except indirect costs, which are based on LFD estimates.

***26.6 percent of alcohol tax revenues collected by the Department of Revenue are statutorially appropriated for distribution as grants to state approved public or private alcoholism programs. A portion (6.6 percent of total revenue) is appropriated to treat persons with alcoholism who also have a mental illness. Any fund balance remaining at fiscal year end, is statutorially appropriated to be distributed to state approved programs. DPHHS cost recovery funds are not included in the statutory appropriation.

The largest share of alcohol tax supports MCDC (56%), followed by the two statutory appropriations (27%). About 5% of the tax proceeds support indirect cost allocations and about 4% support direct program administration. A small amount of the tax pays the state match for chemical dependency Medicaid services and funds some non-Medicaid services (3% for both). The remainder of the FY 2011 budget request (5%) funds a small portion of administrative costs in the Quality Assurance Division and crime lab tests run by the Department of Justice.

LFD ISSUE

Excess Alcohol State Special Revenue

Expenditures from the alcohol tax state special revenue account are projected to exceed revenues by $336,092 in FY 2011. LFD staff has asked AMDD to identify how it will reduce costs so that the ending fund balance is positive.

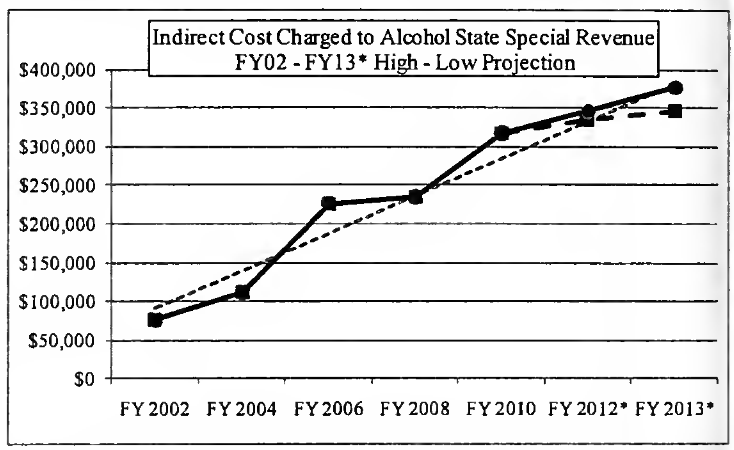
With reductions to maintain a positive balance in FY 2011, at the end of FY 2012, there is about $64,000 of alcohol state special revenue remaining, and a net $240,000 in FY 2013. These funds attributable to cost recovery are not statutorily appropriated and may roll forward.

Legislative Option
The legislature could consider appropriating alcohol tax in place of general fund. The legislature could offset general fund used to support other chemical dependency programs, including a portion of the cost for meth treatment group homes. The legislature could also use the funds as Medicaid match in place of general fund appropriated for Medicaid chemical dependency services.

LFD ISSUE

Indirect Costs Paid from the Alcohol State Special Revenue Account

Statute requires DPHHS to maximize collection of non-general fund sources in support of overhead costs. The figure shows the amount of indirect cost assessed against the alcohol tax is projected to be 5% of the total account expenditures in FY 2013. Since FY 2004 indirect cost assessments have grown 6% to 16% per year through FY 2010 . The LFD estimate of indirect costs for the 2013 biennium assumes a 9% increase – lower than the 16% increase between FY 2008 and FY 2010, but higher than the rate since FY 2004.



The increase in indirect costs has exceeded the increase of most other programs funded from the alcohol tax state special revenue account. Because indirect costs are funded through nonbudgeted transactions, the legislature does not explicitly approve of the amount of alcohol tax allocated to use for overhead administration functions. The issue of indirect cost assessment against state special revenue funds is discussed broadly in the agency overview since some state special revenue accounts do not appear to be assessed costs at the same rate as others.

DPHHS staff provided information that indirect costs assessed against state special revenue funds may decline from the base budget level in the 2013 biennium budget. LFD staff will review the documentation and provide an analysis for consideration by the legislature.

Options for Legislative Consideration:

- The legislature could consider requesting that the methodology and selection of state special revenue accounts for payment of indirect costs be examined during the 2013 biennium interim
- The legislature could request that the LFC or Legislative Audit Committee review the issue and provide recommendations for consideration by the 2013 Legislature as appropriate

The remainder of state special revenue funds support:

- o A shared position with the Department of Corrections and funding for custodial services for the Dr. Xanthopolous building on the MSH campus that houses the WATCh program (alcoholism treatment program for offenders)
- o A portion of division administrative costs

Federal funds and the functions supported by those funds are:

- o Medicaid matching funds for mental health and chemical dependency services and a portion of division administration costs
- o Federal block grant funds for community and state institution chemical dependency services, development of community chemical dependency prevention programs, and a portion of division administrative costs
- o Federal block grant funds for community mental health services, including mental health services for homeless persons

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	58,190,516	58,190,516	116,381,032	90.99%	110,914,947	110,914,947	221,829,894	86.26%
Statewide PL Adjustments	3,355,694	3,373,997	6,729,691	5.26%	(416,959)	(392,360)	(809,319)	(0.31%)
Other PL Adjustments	2,602,115	3,216,081	5,818,196	4.55%	17,289,444	19,875,154	37,164,598	14.45%
New Proposals	(514,768)	(514,768)	(1,029,536)	(0.80%)	(514,768)	(514,768)	(1,029,536)	(0.40%)
Total Budget	**$63,633,557**	**$64,265,826**	**$127,899,383**		**$127,272,664**	**$129,882,973**	**$257,155,637**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,191,824					1,205,120
Vacancy Savings					(1,430,030)					(1,430,548)
Inflation/Deflation					(178,736)					(152,443)
Fixed Costs					(17)					(14,489)
Total Statewide Present Law Adjustments		**$3,355,694**	**$142,320**	**($3,914,973)**	**($416,959)**		**$3,373,997**	**$148,331**	**($3,914,688)**	**($392,360)**
DP 33000 - MHSP Pharmacy Benefit and Cost Increases	0.00	0	553,000	0	553,000	0.00	0	797,000	0	797,000
DP 33001 - Med Ben- HCBS Waiver Annualization	0.00	0	545,122	1,067,188	1,612,310	0.00	0	552,377	1,059,933	1,612,310
DP 33002 - Restore OT/Holidays Worked MSH	0.00	1,619,978	0	0	1,619,978	0.00	1,613,397	0	0	1,613,397
DP 33003 - MSH- Medical and Pharmacy Inflation	0.00	367,979	0	0	367,979	0.00	556,531	0	0	556,531
DP 33004 - Restore OT/Holidays Worked NCC	0.00	382,907	0	0	382,907	0.00	395,301	0	0	395,301
DP 33005 - MMHNCC-Medical & Pharmacy Inflation	0.00	220,347	0	0	220,347	0.00	346,568	0	0	346,568
DP 33006 - Med Ben - Mental Health Caseload Adj.	0.00	2,188,392	0	4,284,225	6,472,617	0.00	2,330,406	0	4,471,714	6,802,120
DP 33007 - FMAP Adj - Mental Health	0.00	(526,524)	249,529	276,995	0	0.00	(383,349)	259,284	124,065	0
DP 33012 - Non DofA rent adjustment	0.00	(7,277)	(1,156)	(6,567)	(15,000)	0.00	914	145	825	1,884
DP 33013 - Med Ben--HIFA Waiver	0.00	0	1,226,487	6,434,471	7,660,958	0.00	0	1,843,997	7,491,698	9,335,695
DP 33801 - Reduction to MHSP Base	0.00	(966,812)	0	58,035	(908,777)	0.00	(966,812)	0	58,035	(908,777)
DP 55140 - AMDD Operations Efficiencies 17-7-140	0.00	(57,407)	0	0	(57,407)	0.00	(57,407)	0	0	(57,407)
DP 55141 - HB130 Crisis Divrsn Fndng in HB2 17-7-140	0.00	(619,468)	0	0	(619,468)	0.00	(619,468)	0	0	(619,468)
Total Other Present Law Adjustments	**0.00**	**$2,602,115**	**$2,572,982**	**$12,114,347**	**$17,289,444**	**0.00**	**$3,216,081**	**$3,452,803**	**$13,206,270**	**$19,875,154**
Grand Total All Present Law Adjustments	**0.00**	**$5,957,809**	**$2,715,302**	**$8,199,374**	**$16,872,485**	**0.00**	**$6,590,078**	**$3,601,134**	**$9,291,582**	**$19,482,794**

LFD COMMENT

General Fund Change in Statewide Present Law Budget – Enhanced Federal Medicaid Match Rate

The statewide present law adjustments include a $6.7 million general fund increase almost fully offset by a reduction in federal Medicaid matching funds. This funding switch accounts for FY 2010 general fund savings due to the enhanced federal match rate (FMAP) included in the American Recovery and Reinvestment Act of 2009 (ARRA). The 2009 Legislature authorized an automatic adjustment to the adjusted base budget to restore general fund in the amount of increased federal Medicaid matching funds received in FY 2010. This funding change was authorized for all Medicaid services and foster care services funding as well. It is discussed in greater detail in the agency overview.

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- **Pay Plan Exceptions** – None
- **Program Specific Obstacles** - For all agency programs, decreased numbers of staff and increased stress and burnout for employees have resulted in fewer internal referrals, decreased satisfaction with work/life balance, lack of available time and resources to train and develop current staff and new recruits, and fear and uncertainty with government job stability. In combination, these factors have led to a shortage of high-level skilled workers

seeking public service work with this agency. The AMDD facilities, including the Montana State Hospital, Montana Chemical Dependency Center and the Montana Mental Health Nursing Care Center, continue to have difficulties attracting and retaining skilled medical professionals.

- **Vacancy** – Occupations with historically high turnover rates include: registered nurses, licensed practical nurses, psychiatric technicians, and certified nurse aides. Causes for turnover are reported to be high case/workloads, stress, burnout, low wage, increasing cost of living, and market competition for talented workers.
- **Legislatively Applied Vacancy Savings** - Each agency division was given a target for personal services budget reductions. In general, vacancies were held open until the 7% savings was accomplished. However, the agency managed the vacancy savings needs based on the need for critical needs and resource distribution using an agency-wide strategy. All requests to fill vacant positions were thoroughly scrutinized and considered for final approval by the agency director.
- **Pay/Position Changes** – There were 7 positions with pay changes including 1 downgrade and 6 upgrades due to reclassification.
- **Retirements** – 363 of 685 AMDD employees are eligible for full retirement starting in FY 2013. As of the end of FY 2010, 39 had retired. AMDD estimates that 47 employees will retire in the 2013 biennium with an estimated liability of about $416,000.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals	Fiscal 2012					Fiscal 2013				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55433 - 4% FTE Reduction										
33	(8.49)	(514,768)	0	0	(514,768)	(8.49)	(514,768)	0	0	(514,768)
Total	**(8.49)**	**($514,768)**	**$0**	**$0**	**($514,768)**	**(8.49)**	**($514,768)**	**$0**	**$0**	**($514,768)**

Sub-Program Details

MENTAL HEALTH 01

Sub-Program Proposed Budget

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	545.10	0.00	(6.49)	538.61	0.00	(6.49)	538.61	538.61
Personal Services	30,168,350	1,342,677	(384,855)	31,126,172	1,356,368	(384,855)	31,139,863	62,266,035
Operating Expenses	10,518,731	378,517	0	10,897,248	702,964	0	11,221,695	22,118,943
Equipment & Intangible Assets	45,420	0	0	45,420	0	0	45,420	90,840
Grants	2,080,913	0	0	2,080,913	0	0	2,080,913	4,161,826
Benefits & Claims	49,936,040	14,770,640	0	64,706,680	17,018,880	0	66,954,920	131,661,600
Debt Service	1,620	0	0	1,620	0	0	1,620	3,240
Total Costs	**$92,751,074**	**$16,491,834**	**($384,855)**	**$108,858,053**	**$19,078,212**	**($384,855)**	**$111,444,431**	**$220,302,484**
General Fund	55,145,957	5,563,516	(384,855)	60,324,618	6,187,151	(384,855)	60,948,253	121,272,871
State/Other Special	5,722,001	2,574,014	0	8,296,015	3,452,516	0	9,174,517	17,470,532
Federal Special	31,883,116	8,354,304	0	40,237,420	9,438,545	0	41,321,661	81,559,081
Total Funds	**$92,751,074**	**$16,491,834**	**($384,855)**	**$108,858,053**	**$19,078,212**	**($384,855)**	**$111,444,431**	**$220,302,484**

Sub-Program Description

The Mental Health sub-program includes all mental health services, the two state mental health institutions, and mental health services administrative functions. The 2013 biennium budget request grows $34.8 million compared to base budget expenditures, with $11.0 million of the increase supported by general fund. The most significant biennial general fund increases are:

- o General fund Medicaid match needed due to discontinuation of the 10% temporary increase in the federal Medicaid match rate - $7.7 million
- o Total adjustments for MSH and the Nursing Care Center - $5.5 million general fund to reinstate overtime costs, and fund inflationary increases in food and medical costs
- o Total Medicaid service utilization increases - $3.6 million

General fund increases are partially offset by reductions in:

- o Mental health jail crisis diversion services - $1.2 million general fund
- o An appropriation transfer for MHSP cost overruns - $1.9 million general fund
- o 6.49 FTE - $0.8 million

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	55,145,957	55,145,957	110,291,914	90.95%	92,751,074	92,751,074	185,502,148	84.20%
Statewide PL Adjustments	2,931,259	2,949,119	5,880,378	4.85%	(835,475)	(817,923)	(1,653,398)	(0.75%)
Other PL Adjustments	2,632,257	3,238,032	5,870,289	4.84%	17,327,309	19,896,135	37,223,444	16.90%
New Proposals	(384,855)	(384,855)	(769,710)	(0.63%)	(384,855)	(384,855)	(769,710)	(0.35%)
Total Budget	**$60,324,618**	**$60,948,253**	**$121,272,871**		**$108,858,053**	**$111,444,431**	**$220,302,484**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					569,303					577,498
Vacancy Savings					(1,229,511)					(1,229,828)
Inflation/Deflation					(175,555)					(149,646)
Fixed Costs					288					(15,947)
Total Statewide Present Law Adjustments		**$2,931,259**	**($124)**	**($3,766,610)**	**($835,475)**		**$2,949,119**	**($142)**	**($3,766,900)**	**($817,923)**
DP 33000 - MHSP Pharmacy Benefit and Cost Increases	0.00	0	553,000	0	553,000	0.00	0	797,000	0	797,000
DP 33001 - Med Ben- HCBS Waiver Annualization	0.00	0	545,122	1,067,188	1,612,310	0.00	0	552,377	1,059,933	1,612,310
DP 33002 - Restore OT/Holidays Worked MSH	0.00	1,619,978	0	0	1,619,978	0.00	1,613,397	0	0	1,613,397
DP 33003 - MSH- Medical and Pharmacy Inflation	0.00	367,979	0	0	367,979	0.00	556,531	0	0	556,531
DP 33004 - Restore OT/Holidays Worked NCC	0.00	382,907	0	0	382,907	0.00	395,301	0	0	395,301
DP 33005 - MMHNCC-Medical & Pharmacy Inflation	0.00	220,347	0	0	220,347	0.00	346,568	0	0	346,568
DP 33006 - Med Ben - Mental Health Caseload Adj.	0.00	2,188,392	0	4,284,225	6,472,617	0.00	2,330,406	0	4,471,714	6,802,120
DP 33007 - FMAP Adj - Mental Health	0.00	(526,524)	249,529	276,995	0	0.00	(383,349)	259,284	124,065	0
DP 33013 - Med Ben--HIFA Waiver	0.00	0	1,226,487	6,434,471	7,660,958	0.00	0	1,843,997	7,491,698	9,335,695
DP 33801 - Reduction to MHSP Base	0.00	(966,812)	0	58,035	(908,777)	0.00	(966,812)	0	58,035	(908,777)
DP 55140 - AMDD Operations Efficiencies 17-7-140	0.00	(34,542)	0	0	(34,542)	0.00	(34,542)	0	0	(34,542)
DP 55141 - HB130 Crisis Divrsn Fndng in HB2 17-7-140	0.00	(619,468)	0	0	(619,468)	0.00	(619,468)	0	0	(619,468)
Total Other Present Law Adjustments	**0.00**	**$2,632,257**	**$2,574,138**	**$12,120,914**	**$17,327,309**	**0.00**	**$3,238,032**	**$3,452,658**	**$13,205,445**	**$19,896,135**
Grand Total All Present Law Adjustments	**0.00**	**$5,563,516**	**$2,574,014**	**$8,354,304**	**$16,491,834**	**0.00**	**$6,187,151**	**$3,452,516**	**$9,438,545**	**$19,078,212**

<u>General Fund Change in Statewide Present Law Budget – Enhanced Federal Medicaid Match Rate</u>
The statewide present law adjustments include a $7.7 million general fund increase offsetby a reduction in federal Medicaid matching funds. This funding switch accounts for FY 2010 general fund savings due to the enhanced federal match rate (FMAP) included in the American Recovery and Reinvestment Act of 2009 (ARRA). The 2009 Legislature authorized an automatic adjustment to the adjusted base budget to restore general fund in the amount of increased federal Medicaid matching funds received in FY 2010. This funding change was authorized for all Medicaid services and foster care services funding as well. It is discussed in greater detail in the agency overview.

<u>DP 33000 - MHSP Pharmacy Benefit and Cost Increases –</u> This request funds an annual 10% pharmaceutical cost inflation for the Mental Health Services Plan (MHSP) program for $500,000 per year in state special revenue funds. This funding increase will not be needed since the DPHHS request for the mental health expansion to the basic Medicaid services (HIFA) waiver was approved by the federal government.

DP 33001 - Med Ben- HCBS Waiver Annualization - This request continues the home and community-based waiver at 155 slots. The program is currently operating with 125 slots, with an additional 30 slots planned in FY 2011. FY 2010 expenditures were $2,167,690. This present law adjustment would add $3.2 million total funds ($1.1 million in health and Medicaid tobacco tax state special revenue) to maintain slots at the FY 2011 level.

DP 33002 - Restore OT/Holidays Worked MSH - This request reinstates funding for overtime, shift differential, and on-call and holidays that are removed from the FY 2010 base budget for Montana State Hospital and funding for aggregate positions (coverage for staff on sick leave, vacation leave, and in nurse aide training classes). Costs are related to staffing a facility that must open 24 hours a day, 7 days a week. The request adds $3.2 million general fund over the biennium. Base expenditures were $1.6 million.

DP 33003 - MSH- Medical and Pharmacy Inflation - This request funds inflationary increases for pharmacy, outside medical, laundry, and food services expenses at the Montana State Hospital. The hospital provides prescription drugs for residents during their stay at the facility, and incurs costs for medical services outside the facility such as lab, hospital, x-rays, dental, and optometry. The request adds $0.9 million general fund. Base expenditures for these items were $2.7 million.

LFD COMMENT

Base Expenditures Compared to Increase

The figure below shows each component of the increase compared to base expenditures.

Annual Rate of Change for Inflationary Increases - MSH

Type of Expenditure	Base Budget	Increase FY 2012	Increase FY 2013	Annual Rate of Change Base to 2013
Drug	$1,111,167	$206,589	$323,870	8.9%
Medical	372,074	67,927	111,927	9.2%
Laundry	109,074	24,268	24,268	6.9%
Prescription Services	856,881	52,184	79,455	3.0%
Food	221,423	17,011	17,011	2.5%
Total	$2,670,619	$367,979	$556,531	6.5%

Outside medical and drug costs increase 9% per year over base budget costs. Laundry costs grow 7% per year. Food and prescription services increase at the lowest rates – about 3% per year. The additional increase for food is above the inflation adjustment included in statewide present law adjustments.

Operating costs (not including personal services) for the state hospital grow about 3% per year from the base budget to FY 2013 if this request is approved. Including personal services costs, the annual increase from the base budget would be under 1% (0.6% annually).

DP 33004 - Restore OT/Holidays Worked NCC - This request reinstates overtime, differential, holidays worked and doctor on-call pay costs that are removed from the base budget for Montana Mental Health Nursing Care Center and funding for aggregate positions (coverage for staff on sick leave, vacation leave, and in nurse aide training classes). Costs are related to staffing a facility that must open 24 hours a day, 7 days a week. The request adds $0.8 million general fund over the biennium. Base expenditures were $0.4 million.

DP 33005 - MMHNCC-Medical & Pharmacy Inflation - This request funds a 5% inflationary increase for pharmacy contracted services and a 10% inflationary increase for drug costs, outside medical, and dental costs for MMHNCC residents who do not have other forms of insurance. The request adds $0.6 million general fund over the biennium.

LFD COMMENT

Base Expenditures Compared to Increase

The figure below shows base expenditures compared to the increase.

Annual Rate of Change for Inflationary Increases - MMHNCC

Type of Expenditure	Base Budget	Increase FY 2012	Increase FY 2013	Annual Rate of Change Base to 2013
Drug	$890,751	$187,057	$294,838	10.0%
Medical	60,188	12,688	19,863	10.0%
Dentristry	6,469	1,310	2,200	10.2%
Prescription Services	188,211	19,292	29,667	5.0%
Total	$1,145,619	$220,347	$346,568	6.3%

Operating costs (not including personal services) for the nursing care center grow about 3% per year from the base budget to FY 2013 if this request is approved. Including personal services costs, the annual increase from the base budget would be over 1% (1.3% annually).

DP 33006 - Med Ben - Mental Health Caseload Adj. - This request adds $13.3 million total funds ($4.5 million general fund) over the biennium for projected Medicaid mental health services cost increases. Base expenditures were $35.3 million.

DP 33007 - FMAP Adj - Mental Health - This request reduces general fund ($0.8 million over the biennium) and increases state special revenue ($0.5 million over the biennium) and federal Medicaid funds ($0.4 million) due to a projected change in the Federal Medical Assistance Participation (FMAP) rates for FY 2012 and FY 2013.

LFD COMMENT

State Medicaid Match Rate

The state Medicaid match rate is expected to increase over the 2013 biennium. The adjustment in the AMDD budget reduces general fund despite the match increase in order to adjust state funding to the correct mix. When the adjusted base budget was modified to account for the discontinuation of the temporary increase in the federal Medicaid match rate, too much general fund was added. This adjustment corrects for that error.

DP 33013 - Med Ben--HIFA Waiver - This adjustment provides $17.0 million, including $3.1 million in tobacco tax health and Medicaid initiatives state special revenue, to implement the health insurance flexibility and accountability (HIFA) Medicaid waiver program, which was approved by the federal Centers for Medicare and Medicaid Services (CMS) in late November 2010.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Expanded Justification

Over the life of the waiver, up to 800 individuals with schizophrenia or bi-polar disorder will transition from the state funded Mental Health Services Plan (MHSP) to Medicaid. Individuals, who are transitioned to Medicaid, will be able to access health care for physical as well as psychiatric illnesses. Additionally, implementation of the HIFA waiver will improve the financial sustainability of the state-funded MHSP by transitioning the most ill clients to Medicaid.

This present law adjustment requests funding to continue to implement the MHSP amendment to the DPHHS 1115(e) basic Medicaid waiver (HIFA) that is expected to be approved by CMS during FY 2011.

Goals
- o Transition up to 800 individuals with schizophrenia or bi-polar disorder from MHSP to a basic Medicaid benefit that includes both mental and physical health care
- o Improve the services available and well-being of a seriously mentally ill population

Performance Criteria
Serve the physical and mental health needs of 800 individuals with schizophrenia or bi-polar disorder under the waiver

Milestones
Transition up to 800 individuals with schizophrenia or bi-polar disorder from MHSP to Medicaid waiver services prior to December 31, 2011

FTE
None requested

Funding Sources
Federal Medicaid funds and tobacco tax health and Medicaid initiatives state special revenue

The state special revenue funding will be partially provided through a reduction in funding for the MHSP pharmacy benefit. This waiver will provide a cost savings to the state by leveraging federal Medicaid dollars with a state matching requirement.

Future Funding
Federal Medicaid funds and tobacco tax health and Medicaid initiatives state special revenue matching funds. State special revenue will be provided through a reduction in funding for the MHSP pharmacy program. The MHSP waiver program will provide a cost savings to the state by leveraging federal Medicaid dollars with a state matching requirement.

Obstacles
Identification of targeted recipients to be served and ensuring that they are transitioned to receive Medicaid services in a timely and appropriate manner

Risks
If the legislature does not approve the federal funds appropriation, the state-funded program is at risk for continued demand exceeding the available fiscal resources.

LFD ISSUE

Legislature Could Use Goal and Performance Measures Submitted for Federal Approval

In addition to the performance measure of the number of persons to receive services with the addition of date by which all persons are to be enrolled, the legislature may wish to consider using some of the same objectives and criteria submitted for federal approval the waiver. DPHHS submitted 1 goal, 5 objectives, and 27 measures for federal evaluation of the HIFA waiver in the concept paper describing the waiver application. Some of the measures that appear to be most applicable to persons with a serious and disabling mental illness are listed below.

Goal: Reduce the uninsurance rate for low-income individuals by providing coverage through the (waiver) demonstration

Objectives:
1) Analyze individuals who have gained insurance through the waiver to determine the effect on the insurance rate
2) Determine and analyze waiver individuals covered by employer sponsored and private insurance plans
3) Observe participants' views of quality of care and identify quality of care issues.

Examples of Measures:

a) Compare and contrast the number of waiver participants, Medicaid recipients, and the Montana population as a whole, covered by employer sponsored and private plans
b) Determine levels of functioning in different waiver groups for physical, mental, activities of daily living, employment, and social in regard to receiving HIFA benefits
c) Determine adequacy of provider choice for waiver population
d) Determine quality of care for waiver population
e) Determine access to care for waiver population

DP 33801 - Reduction to MHSP Base - This proposal reduces general fund by $2.0 million over the biennium to lower the 2013 biennium MHSP appropriation to the level established by the 2009 Legislature. Enrollment and service utilization in MHSP spiked in FY 2010. Mitigation activities undertaken by AMDD included limiting enrollment by shifting eligibility determination to division staff, limiting eligibility to those persons most in need of services, and capping monthly case management reimbursement. However, despite these cost containment efforts, the program expenditures exceeded the amounts appropriated for MHSP. The division covered the MHSP shortfall by transferring funds from the appropriations for the 72 hour community crisis diversion program and personal services costs at the state mental health institutions. This reduction removes the additional expenditures from the base. Other mitigation plans are in progress to maintain the program at this level.

DP 55140 - AMDD Operations Efficiencies 17-7-140 - This decision package reduces the general fund base budget by $57,407 each year for the Addictive and Mental Disorders division to continue FY 2011 reductions made by the Governor under 17-7-140, MCA. AMDD would make operations reductions through efficiencies in the areas of travel, conferences, supplies, newspaper ads, cell phone use, postage and contracting.

DP 55141 - HB130 Crisis Divrsn Fndng in HB2 17-7-140 - This reduction lowers the general fund base budget by $619,468 each year for mental health crisis jail diversion services implemented in three bills recommended by the Interim Committee on Law and Justice and passed by the 2009 Legislature (HB 130, 131, and 132 and codified as Title 53, Title 21, Part 12, MCA). This amount represents a 5% spending reduction implemented in FY 2011under the Governor's spending reductions pursuant to 17-7-140, MCA. Ongoing expenditures would be about $54,000.

LFD ISSUE

Impact of Reduction

LFD staff requested that AMDD complete the expanded justification for this reduction. The information was not available during preparation of the LFD budget analysis. LFD staff requested that AMDD provide the information to the legislature during is appropriation deliberations.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals	Fiscal 2012					Fiscal 2013				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55433 - 4% FTE Reduction										
01	(6.49)	(384,855)	0	0	(384,855)	(6.49)	(384,855)	0	0	(384,855)
Total	**(6.49)**	**($384,855)**	**$0**	**$0**	**($384,855)**	**(6.49)**	**($384,855)**	**$0**	**$0**	**($384,855)**

<u>DP 55433 - 4% FTE Reduction -</u> This request eliminates funding for 8.49 FTE with a total reduction of about $1 million general fund over the biennium. These reductions include two positions in the division administration sub-program, which are both vacant, and the balance from the mental health services sub-program - 0.50 FTE from the services bureau, 4.50 FTE from MSH, and 2.99 FTE from MMHNCC. In addition, a reduction of $81,890 in operating expenses at the MMHNCC is proposed. All but 1.00 of the FTE in the Mental Health Services sub-program is vacant. This reduction is included in the division 5% reduction plan.

Sub-Program Details
ADDICTION TREATMENT & PREVENTION 02

Sub-Program Proposed Budget
The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	67.25	0.00	0.00	67.25	0.00	0.00	67.25	67.25
Personal Services	3,539,366	166,791	0	3,706,157	170,461	0	3,709,827	7,415,984
Operating Expenses	2,185,618	(3,233)	0	2,182,385	(1,097)	0	2,184,521	4,366,906
Grants	2,877,586	0	0	2,877,586	0	0	2,877,586	5,755,172
Benefits & Claims	8,175,709	0	0	8,175,709	0	0	8,175,709	16,351,418
Total Costs	**$16,778,279**	**$163,558**	**$0**	**$16,941,837**	**$169,364**	**$0**	**$16,947,643**	**$33,889,480**
General Fund	2,098,394	170,015	0	2,268,409	170,346	0	2,268,740	4,537,149
State/Other Special	5,018,939	142,444	0	5,161,383	148,473	0	5,167,412	10,328,795
Federal Special	9,660,946	(148,901)	0	9,512,045	(149,455)	0	9,511,491	19,023,536
Total Funds	**$16,778,279**	**$163,558**	**$0**	**$16,941,837**	**$169,364**	**$0**	**$16,947,643**	**$33,889,480**

Sub-Program Description
The Addiction Treatment and Prevention sub-program includes all chemical dependency services, MCDC, and administrative functions. The budget request grows $0.3 million over the biennium compared to the FY 2010 base budget, including $0.3 million general fund. Reductions in federal funds due to the discontinuation of the temporary federal Medicaid match rate change offset increases in alcohol tax state special revenue that support MCDC pay plan costs.

Statewide present law adjustments for annualization of the FY 2011 health insurance increase in the 2011 biennium pay plan and funding for positions that were vacant a portion of FY 2010 add about $330,000 over the biennium. There are no other changes proposed to this budget in the executive request.

LFD COMMENT

General Fund for State Medicaid Match

General fund was added as state match for base budget chemical dependency Medicaid services, increasing the general fund commitment from $95 to $170,000 annually. This funding switch was made during development of the Governor's budget request to offset the loss of the temporary increase in the federal Medicaid match rate pursuant to HB 645. There was insufficient funding in the alcohol tax state special revenue account to offset the loss of federal matching funds so the state share was switched to general fund. There is a discussion of other present law budget adjustments that were removed from the executive present law budget due to the short fall in alcohol tax following the present law adjustment table.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	2,098,394	2,098,394	4,196,788	92.50%	16,778,279	16,778,279	33,556,558	99.02%
Statewide PL Adjustments	170,015	170,346	340,361	7.50%	163,558	169,364	332,922	0.98%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	**$2,268,409**	**$2,268,740**	**$4,537,149**		**$16,941,837**	**$16,947,643**	**$33,889,480**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					321,218					325,039
Vacancy Savings					(154,427)					(154,578)
Inflation/Deflation					(2,928)					(2,555)
Fixed Costs					(305)					1,458
Total Statewide Present Law Adjustments		**$170,015**	**$142,444**	**($148,901)**	**$163,558**		**$170,346**	**$148,473**	**($149,455)**	**$169,364**
Grand Total All Present Law Adjustments	**0.00**	**$170,015**	**$142,444**	**($148,901)**	**$163,558**	**0.00**	**$170,346**	**$148,473**	**($149,455)**	**$169,364**

LFD COMMENT

Present Law Adjustments Removed

Present law adjustments for the following items were originally included in the executive present law budget, but removed due to insufficient funds in the alcohol state special revenue taxes supporting chemical dependency services:

- o $0.9 million in alcohol tax state special revenue funds for overtime, differential, holidays worked, and doctor on-call pay, funding for aggregate positions removed from the base budget for MCDC, and inflationary increases in pharmacy costs
- o $0.6 million total funds, including a $0.2 million in alcohol tax state special revenue request for Medicaid caseload and utilization growth for chemical dependency services
- o $50,000 in alcohol tax state special revenue funds and corresponding decrease in federal Medicaid funds over the biennium

Funding for MCDC

AMDD may be able to fund personal services and inflation for MCDC from the chemical dependency federal block grant. However, that action would lower the amount distributed to community programs

LFD ISSUE CONT.

Funding for Medicaid Services
If there is excess appropriation authority in other Medicaid services, funds could be transferred to the chemical dependency Medicaid program. However, if there is insufficient state funding for the program, AMDD would need to reduce service levels or provider rates.

Alcohol State Special Revenue
There may be as much as $60,000 in alcohol tax revenue in FY 2010 and another $240,000 in FY 2013 above the appropriated level that could be applied to fund present law costs for chemical dependency services. The legislature could also consider limiting other expenditures from the alcohol tax if it considered funding these present law costs to be a higher priority.

Sub-Program Details
AMDD DIVISION ADMIN 03

Sub-Program Proposed Budget
The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	16.00	0.00	(2.00)	14.00	0.00	(2.00)	14.00	14.00
Personal Services	850,955	255,211	(129,913)	976,253	256,441	(129,913)	977,483	1,953,736
Operating Expenses	347,139	(38,118)	0	309,021	(21,223)	0	325,916	634,937
Grants	187,500	0	0	187,500	0	0	187,500	375,000
Total Costs	**$1,385,594**	**$217,093**	**($129,913)**	**$1,472,774**	**$235,218**	**($129,913)**	**$1,490,899**	**$2,963,673**
General Fund	946,165	224,278	(129,913)	1,040,530	232,581	(129,913)	1,048,833	2,089,363
State/Other Special	169,099	(1,156)	0	167,943	145	0	169,244	337,187
Federal Special	270,330	(6,029)	0	264,301	2,492	0	272,822	537,123
Total Funds	**$1,385,594**	**$217,093**	**($129,913)**	**$1,472,774**	**$235,218**	**($129,913)**	**$1,490,899**	**$2,963,673**

Sub-Program Description
The executive budget request for the AMDD division administration function grows about $200,000 general fund over the biennium from a base expenditure level of $1.4 million. Increases in personal services are partially offset by elimination of funding for 2.00 FTE.

Budget Summary by Category
The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	General Fund				Total Funds			
Budget Item	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	946,165	946,165	1,892,330	90.57%	1,385,594	1,385,594	2,771,188	93.51%
Statewide PL Adjustments	254,420	254,532	508,952	24.36%	254,958	256,199	511,157	17.25%
Other PL Adjustments	(30,142)	(21,951)	(52,093)	(2.49%)	(37,865)	(20,981)	(58,846)	(1.99%)
New Proposals	(129,913)	(129,913)	(259,826)	(12.44%)	(129,913)	(129,913)	(259,826)	(8.77%)
Total Budget	**$1,040,530**	**$1,048,833**	**$2,089,363**		**$1,472,774**	**$1,490,899**	**$2,963,673**	

Present Law Adjustments
The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2012 FTE	Fiscal 2012 General Fund	Fiscal 2012 State Special	Fiscal 2012 Federal Special	Fiscal 2012 Total Funds	Fiscal 2013 FTE	Fiscal 2013 General Fund	Fiscal 2013 State Special	Fiscal 2013 Federal Special	Fiscal 2013 Total Funds
Personal Services					301,303					302,583
Vacancy Savings					(46,092)					(46,142)
Inflation/Deflation					(253)					(242)
Total Statewide Present Law Adjustments		**$254,420**	**$0**	**$538**	**$254,958**		**$254,532**	**$0**	**$1,667**	**$256,199**
DP 33012 - Non DofA rent adjustment	0.00	(7,277)	(1,156)	(6,567)	(15,000)	0.00	914	145	825	1,884
DP 55140 - AMDD Operations Efficiencies 17-7-140	0.00	(22,865)	0	0	(22,865)	0.00	(22,865)	0	0	(22,865)
Total Other Present Law Adjustments	**0.00**	**($30,142)**	**($1,156)**	**($6,567)**	**($37,865)**	**0.00**	**($21,951)**	**$145**	**$825**	**($20,981)**
Grand Total All Present Law Adjustments	**0.00**	**$224,278**	**($1,156)**	**($6,029)**	**$217,093**	**0.00**	**$232,581**	**$145**	**$2,492**	**$235,218**

DP 33012 - Non DofA rent adjustment - This present law adjustment requests funding to pay the leases on non-state owned buildings. Reductions due to the Governor's lease negotiations and increases for leases that could not be reduced were factored into this calculation. This request decreases general fund by $7,277 in FY 2012 and increases general fund by $914 in FY 2013.

DP 55140 - AMDD Operations Efficiencies 17-7-140 - This decision package reduces the general fund base budget by $57,407 each year to continue FY 2011 reductions made by the Governor under 17-7-140, MCA. AMDD would make operations reductions through efficiencies in the areas of travel, conferences, supplies, newspaper ads, cell phone use, postage and contracting.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals	Sub Program	Fiscal 2012 FTE	Fiscal 2012 General Fund	Fiscal 2012 State Special	Fiscal 2012 Federal Special	Fiscal 2012 Total Funds	Fiscal 2013 FTE	Fiscal 2013 General Fund	Fiscal 2013 State Special	Fiscal 2013 Federal Special	Fiscal 2013 Total Funds
DP 55433 - 4% FTE Reduction	03	(2.00)	(129,913)	0	0	(129,913)	(2.00)	(129,913)	0	0	(129,913)
Total		**(2.00)**	**($129,913)**	**$0**	**$0**	**($129,913)**	**(2.00)**	**($129,913)**	**$0**	**$0**	**($129,913)**

DP 55433 - 4% FTE Reduction - This request eliminates funding for 8.49 FTE with a total reduction of about $1 million general fund over the biennium. These reductions include two positions in the division administration sub-program, which are both vacant, and the balance from the mental health services sub-program - 0.50 FTE from the services bureau, 4.50 FTE from MSH, and 2.99 FTE from MMHNCC. In addition, a reduction of $81,890 in operating expenses at the MMHNCC is proposed. All but 1.00 of the FTE in the Mental Health Services sub-program is vacant. This reduction is included in the division 5% reduction plan.

Glossary / Acronyms / Index

www.leg.mt.gov/css/fiscal

Glossary

A number of terms are used extensively in budgeting and appropriations. The most common terms, which are used throughout the budget analysis and in other fiscal materials, are listed and defined below.

Adjusted Base – The base budget, the level of funding authorized by the previous legislature, modified by annualization of personal services costs, inflationary or deflationary factors, changes in fixed costs, etc.

Appropriations – An authorization by law for the expenditure of funds or to acquire obligations. Types of appropriations are listed below.

> *Biennial* – A biennial appropriation is an appropriation made in the first year of the biennium, where the appropriated amount can be spent in either year of the biennium. In HB 2, it can be split between years, but still be biennial if so indicated.
>
> *Budget amendment* – See "Budget Amendment" below.
>
> *Continuing* – An appropriation that continues beyond one biennium.
>
> *Language* – An appropriation made in the language of the general appropriations act for a non-specific or limited dollar amount. Language appropriations are generally used when an agency knows that it will be receiving federal or state special revenue funds but is uncertain as to the amount.
>
> *Line Item* – An appropriation made for a specific purpose. Line item appropriations highlight certain appropriations and ensure that they can be separately tracked on the state accounting system.
>
> *One-time* – Appropriations for a one-time purpose that are excluded from the base budget in the next biennium.
>
> *Restricted* – An appropriation designated for a specific purpose or function.
>
> *Statutory* – Funds appropriated in permanent law rather than a temporary bill. All statutory appropriations references are listed in 17-7-502, MCA.
>
> *Temporary* - An appropriation authorized by the legislature in the general appropriations act or in a "cat and dog" bill that is valid only for the biennium.

Appropriation Transfers (also see "Supplemental Appropriation") – The transfer of funds appropriated for the second year of the biennium to the first if the Governor or other approving authority determines that due to an unforeseen or unanticipated emergency there are insufficient funds in the first year for the operation of an agency.

Approving Authority – The entity designated in law as having the authority to approve certain budgetary changes during the interim. The approving authorities are:

- The Governor or his/her designated representative for executive branch agencies
- The Chief Justice of the Supreme Court or his/her designated representative for the judicial branch agencies
- The Speaker of the House of Representatives for the House
- The President of the Senate for the Senate

- The appropriate standing legislative committees or designated representative for the legislative branch divisions
- The Board of Regents of Higher Education or their designated representative for the university system

Average Daily Population (ADP) – The population measure used to calculate population in the Montana correctional system. ADP is equivalent to one inmate incarcerated for one year.

Average Number Belonging (ANB) – The enrollment measure used for K-12 BASE aid calculations. ANB is the equivalent of one full-time student enrolled in school for the full school year.

Base – The level of funding authorized by the previous legislature.

Base Budget – The resources needed for the operation of state government that provide for expenses of an ongoing and non-extraordinary nature in the current biennium.

Benefits – An expenditure category used to account for the provision of payments or services by the government to individuals who qualify for receipt of those payments or services, such as Medicaid benefits. Personal services benefits for state employees are included in the personal services expenditure category.

Biennial Appropriation – An appropriation that can be expended in either or both years of the biennium.

Biennium – A two-year period. For the state, this period begins July 1 of the odd-numbered years and ends June 30 of the following odd-numbered year.

Budget Amendments – Temporary authority to spend unanticipated non-general fund revenue received after the legislature adjourns. The funds must be used to provide additional services and cannot make a commitment of general fund support for the present or future.

Cat and Dog Appropriations – One-time appropriations made in bills other than the general appropriations act.

Debt Service – The payment on outstanding bonds.

Decision Package – Separate, specific adjustments to the base budget. Decision packages can be either present law adjustments or new proposals.

Earmarked Revenue – Funds from a specific source that can be spent only for designated activities.

Enterprise Funds – A fund used to account for operations financed and operated similar to private business enterprises, where the intent of the legislature is to finance or recover costs, primarily through user charges.

Federal Special Revenue – Accounts deposited in the state treasury from federal sources, to be used for the operation of state government.

Fiduciary Funds – Funds used to account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds.

Fiscal Note - An estimate, prepared by the Governor's Office of Budget and Program Planning, of the probable revenues and costs that will be incurred as the result of a bill or joint resolution.

Fiscal Year (FY) aka State Fiscal Year (SFY) – A 12-month accounting period beginning July 1 and ending June 30. Fiscal year 2003 refers to the fiscal year ending June 30, 2003. (Note: The federal fiscal year (FFY) is October 1 through September 30.)

Fixed Costs – Fees (fixed costs) charged to agencies for a variety of services provided by other state agencies (e.g., payroll service fees, rent, warrant writing services, and data network services.).

FTE – Full-Time Equivalent position, or the equivalent of one person working full-time for the entire year. Also used to denote full-time equivalent students in the Montana University System for purposes of calculating state support.

Fund – A fiscal entity with revenues and expenses which are segregated for the purpose of carrying out a specific purpose or activity.

General Fund – Accounts for all governmental financial resources except those that must be accounted for in another fund.

General Fund Reversions – Unspent appropriated funds that are returned to the general fund at the close of the budget period (fiscal year).

Grants – An expenditure category used to account for the payment by a government entity to an individual or other entity who will perform a service.

HB 2 –The General Appropriations Act in which the legislature authorizes the funding for state government for the upcoming biennium. Each session, House Bill 2 is reserved for this purpose.

Indirect Cost – A cost necessary for the functioning of the organization as a whole, but which cannot be directly assigned to a specific division or agency.

Interim – The time between regular legislative sessions.

Internal Service Funds – Funds use to account for the financing of goods and services provided by one department or agency to other departments, agencies, or governmental entities on a cost-reimbursement basis.

IRIS - The Integrated Revenue Information System (IRIS) is an automated system to administer taxes that are the responsibility of the Department of Revenue to collect.

Local Assistance – An expenditure classification primarily used to account for expenditures made for K-12 funding provided by the state to school districts.

MBARS – The Montana Budget Analysis and Reporting System, which provides all state agencies with one computerized system for budget development, maintenance and tracking, and is integrated with the State Accounting, Budget, and Human Resource System (SABHRS).

Mill – The property tax rate based on the valuation of property. A tax rate of one mill produces one dollar of taxes on each $1,000 of assessed property value.

New Proposals – Requests (decision packages) to provide new non-mandated services, to change program services, to eliminate existing services, or to change the source of funds.

Non-budgeted Expenditures – Accounting entries for depreciation, amortization, and other financial transactions that appear as expenditures, but don't actually result in direct dispersal of funds from the state treasury.

Non-budgeted Transfer – Funds moved from one account to another in the state accounting system based upon statutory authority but not by appropriation in the general appropriations act.

Operating Expenses – All operating expenditures that do not meet the personal services and capital outlay classification criteria. These expenditures include, but are not limited to, professional services, supplies, rent, travel, and repair and maintenance.

Other Funds – Capital projects and fiduciary funds.

> *Capital projects fund* – Accounts for financial resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds.
>
> *Fiduciary funds* – Trust and agency fund types used to account for assets held by state government in a trustee capacity or as an agency for individuals, private organizations, other governmental entities, or other funds.

Pay Plan – Provision by the legislature of a general adjustment to salaries and/or benefits paid to state employees. Also refers to the pay schedule listing the state salary rate for each classified position according to that position's grade and the market rate.

Personal Services –Expenditures for salaries, benefits, per diem, and other additions, such as overtime.

Personal Services Snapshot – The point in time at which personal services attributes are captured and from which the personal services budget is determined. The executive budget personal services costs are based on a "snapshot" of actual salaries for authorized FTE as they existed in a pre-determined pay period in the base year.

Present Law – The additional level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature.

Present Law Adjustments – Requests (decision packages) for an adjustment in funding sufficient to allow maintenance of operations and services at the level authorized by the previous legislature (e.g., caseload, enrollment changes, and legally mandated workload).

Program – A group of related activities performed by one or more organizational units for the purpose of accomplishing a function for which the government is responsible. Also, a grouping of functions or objectives that provides the basis for legislative review of agency activities for appropriations and accountability purposes.

Proprietary Funds – Enterprise or internal service funds. Statute does not require that most proprietary funds be appropriated.

> *Enterprise funds* – Funds that account for operations financed and operated in a manner similar to private business enterprises, and through which the intent is to provide goods or services to the public.

Internal service funds- Funds that account for the financing of goods or services provided by one department or agency to other departments or agencies of state government.

Reporting Levels – Budget units dividing agency and program budgets into smaller units for the purpose of constructing, analyzing, and approving budgets.

SABHRS – The State Accounting, Budget, and Human Resource System that combines the state's accounting, budgeting, personnel, payroll, and asset management systems into one single system.

State Special Revenue – Accounts for money from state and other nonfederal sources that is earmarked for a particular purpose, as well as money from other non-state or nonfederal sources that is restricted by law or by the terms of an agreement.

Supplemental Appropriation – An additional appropriation made by the governing body after the budget year or biennium has started. There are two types of supplemental appropriations that can be used to increase spending authority for a fiscal year: 1) a transaction in an even-numbered year that moves spending authority from the second year of the biennium to the first year; or 2) an appropriation passed and approved by the legislature to provide authority for the odd-numbered fiscal year ending the current biennium.

Vacancy Savings – The difference between what agencies actually spend for personal services and the cost of fully funding all funded positions for the entire year.

Acronyms

AES	Agricultural Experiment Station
ACA	Affordable Care Act
ADP	Average Daily Population
AMDD	Addictive & Mental Disorders Division
ANB	Average Number Belonging (K-12 education)
ARM	Administrative Rules of Montana
ARRA	American Recovery and Reinvestment Act
BASE Aid	Base Amount for School Equity Aid
BPE	Board of Public Education
C&A	Cultural and Aesthetic (Trust)
CC	Community Colleges
CES	Cooperative Extension Service
CHE	Commissioner of Higher Education
CHIP	Children's Health Insurance Program (also SCHIP)
CIO	Chief Information Officer
COPP	Commissioner of Political Practices
COT	College of Technology, followed by campus designation
CPI	Consumer Price Index
DEQ	Department of Environmental Quality
DMA	Department of Military Affairs
DNRC	Department of Natural Resources and Conservation
DOA	Department of Administration
DOAg	Department of Agriculture
DOC	Department of Commerce
DOC	Department of Corrections
DOJ	Department of Justice
DOLI	Department of Labor and Industry
DOR	Department of Revenue
DOT	Department of Transportation
DP	Decision Package
DPHHS	Department of Public Health and Human Services
ES	Extension Service
FCES	Forestry and Conservation Experiment Station
FMAP	Federal Medical Assistance Percentage (Medicaid match rate)
FSR	Federal Special Revenue
FSTS	Fire Services Training School
FTE	Full-Time Equivalent
FWP	Department of Fish, Wildlife, and Parks
FFY	Federal Fiscal Year
FY	Fiscal Year
FYE	Fiscal Year End
GAAP	Generally Accepted Accounting Principles
GF	General Fund
GSL	Guaranteed Student Loan
GTB	Guaranteed Tax Base
HB	House Bill
HAC	House Appropriations Committee

HMK	Healthy Montana Kids
HRD	Health Resources Division
HSRA	Highways Special Revenue Account
I&I	Interest and Income
IT	Information Technology
ITSD	Information Technology Services Division
LAD	Legislative Audit Division
LEPO	Legislative Environmental Policy Office
LFA	Legislative Fiscal Analyst
LFC	Legislative Finance Committee
LFD	Legislative Fiscal Division
LRBP	Long-Range Building Program
LRITP	Long-Range Information Technology Program
LRP	Long-Range Planning
LSD	Legislative Services Division
MAC	Montana Arts Council
MBARS	Montana Budgeting, Analysis, and Reporting System
MBCC	Montana Board of Crime Control
MBMG	Montana Bureau of Mines and Geology
MCA	Montana Code Annotated
MCHA	Montana Comprehensive Health Association
MDC	Montana Developmental Center
MDT	Montana Department of Transportation
MHP	Montana Highway Patrol
MHS	Montana Historical Society
MSDB	Montana School for the Deaf and Blind
MSF	Montana State Fund
MSL	Montana State Library
MSP	Montana State Prison
MSU	Montana State University, followed by campus designation i.e. MSU – Bozeman
MUS	Montana University System
MWP	Montana Women's Prison
NP	New Proposal
OBPP	Office of Budget and Program Planning (Gov.)
OCHE	Office of the Commissioner of Higher Education
OPI	Office of Public Instruction
OTO	One-Time-Only
PERS	Public Employees Retirement System
PL	Present Law
PPACA	Patient Protection and Affordable Care Act (Federal Health Care Reform)
PSC	Public Service Commission
PSR	Public Service Regulation
QSFP	Quality School Facilities Program
RDGP	Reclamation and Development Grant Program
RIGWA	Resource Indemnity and Groundwater Assessment Tax
RIT	Resource Indemnity Trust
RRGL	Renewable Resource Grant & Loan Program
RTIC	Revenue & Transportation Interim Committee
SA	Statutory Appropriation
SABHRS	Statewide Accounting, Budgeting, and Human Resources System
SAFETEA-LU	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
SAO	State Auditor's Office
SAVA	State Administration & Veterans' Affairs Interim Committee
SB	Senate Bill
SBECP	State Building Energy Conservation Program
SF&C	Senate Finance and Claims Committee
SLTC	Senior & Long-Term Care Division
SOS	Secretary of State
SSR	State Special Revenue
SWPLA	Statewide Present Law Adjustment
TANF	Temporary Assistance for Needy Families
TRS	Teachers' Retirement System
TSEP	Treasure State Endowment Program
TESPRW	Treasure State Endowment Program Regional Water Systems
UM	University of Montana, followed by campus designation i.e. UM – Missoula

Index for Volumes 3 through 7

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